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USSR Report

CONSUMER GOODS AND DOMESTIC TRADE

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CONSUMER GOODS PRODUCTION AND DISTRIBUTION

'PRIVATE' SERVICES AT MARKETPLACE DISCUSSED

Moscow EKONOMICHESKAYA GAZETA in Russian No 21, May 86 p 23

[Article by V. Yakovlev, Vilnius--Moscow: "The Market: Every Day of the Week"]

[Text] In real life there exist "private traders" and private traders. There is the honest worker who realizes the fruits of his individual labor or service. But there is also another figure--the private trader "businessman," who is engaged in different kinds of purchases for resale and speculation, frequently fleecing the "private trader"-worker. These two figures in literature and writing on current affairs sometimes are considered identical, but they are not only different in their social and economic nature, they frequently are in opposition to each other.

The private trader-"businessman" tries to hide in the shadow of the "private trader"-worker as if to merge with him. The attitude toward the "businessman" who extracts an income at the expense of others must be clear and definite. But a clear and definite attitude is required toward a person who works honestly in the socialized economy but after work or during an earned rest period makes an additional contribution with his labor to the production of goods and services.

Lately the difference between them has been becoming increasingly clearly realized by society. The former needs to be forced out not only by the power of the law but also by economic methods. But the latter needs to be drawn into cooperation and make his work more beneficial for society.

If someone were to ask me if I had seen some person who ideally corresponded to his position, I would say--yes.

Kostenko has two fields higher education, one of which is economic. And two master of sports skill categories--self-defense without the use of weapons and

auto racing. Kostenko works... as the director of a market. At the same time, he is also the city market administration's chief.

Specialist Kostenko is not very experienced. He has held his present position for only a year. He formerly worked in production and had nothing to do with markets or trade in general. But this, in my opinion, is also a plus. There are fields of activity where the value of previous experience is relative. Or in any case not to be compared with the value of a fresh viewpoint. Experience determines work style. Had Kostenko worked in the ordinary way, he likely would not have achieved what he was able to do on his own.

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In his years of work, Sergey Anatolyevich Kostenko managed a couple of times to "knock down" market prices. For practically all kinds of products. With the exception of meat.

We have not succeeded with that so far," he says. "Prices are as before. But we'll get to them. Without fail!"

The significance of a fact depends on what point of view it is looked at from. Of course, a market where apples and potatoes, milk and carrots are sold a little cheaper than at others is an agreeable occurrence but by no means sensational. And Kostenko is only beginning his work. How will it all turn out? But let us not restrict ourselves to the specifics of the market. Let us look at the matter from serious, economic positions and designate in economic terms its chief figures. The market's director is a representative of the state organization. The seller is the "private trader."

"Private trader".... No, possibly at present another, more contradictory figure. The "private trader," offering his services, performs his work somehow in a calm manner without any pomp. We know how great the share of the "private trader"-worker is in the production and sale of agricultural products. His role is also important in repair and construction services for the population. A great number of rooms in Sochi are rented to those who come to rest. And how many potential passengers of taxis are transported by owners of private cars! And how many secondary-school graduates enter institutes after studying with coaches?!

Is it not for this reason that today the former desire to eradicate the "private trader"-worker as a phenomenon no longer exists. Is it not for this reason that the desire is clear to give this phenomenon normal and healthy, rather than pathologic forms, as is actually designated in Article 17 of the USSR Constitution?

A new attitude gives rise to new problems. The main one of them is the price of private services. The actual expression "private trade" is associated among us with the expression "unearned income." This stereotypical association is in general quite far from the truth. Let us determine exactly what the income of the "private trader" consists of. He receives a part of the money directly for his labor. Plus a substantial markup that is to be explained by the high demand for his services. But this is not all. The

repairman, the coach or the market seller receives a sizable amount from the client by taking advantage of his lack of control and the possibility to dictate the price.

And while the first two income items can be considered perfectly natural and socially justifiable, the same thing cannot be said of the last. In fact it is that very same unearned income which the private trader should be deprived of. Can this be carried out? Theoretically--of course. But practically, free supply is poorly subject to control. And up to the present time, it has not been possible to securely and reliably knock down prices. Yet Kostenko succeeded in this. And that is why the single simple and reasonable question of how has been anything but justified by narrow-market subject matter alone.

Kostenko stopped his Zhiguli at the actual enclosure to the market and pointed through the windshield:

"See, they are trading. Incidentally, they do not know what is awaiting them!"

"And what is awaiting them?" I asked in concern.

"A trade fair!"

A spring flower trade fair. It is scheduled to be widely publicized. And of course, large numbers of sellers of expensive tulips, carnations and roses will be there. But.... On the same day, state enterprises will bring in their best flowers to the market. They will bring in many. Prices will be cut as if with a knife.

Sergey Anatolyevich's scheme was a complete success, since the most simple way of knocking down prices at the market is to counter them with inexpensive state goods or services.

Very simple. But is it the best way? A year ago I was a witness to a situation in Sverdlovsk that had upset the city market. Apple sellers, arriving in Sverdlovsk, discovered that the counters were jammed with this commodity. According to all logic, they should have reduced the price in full conformity with the laws of supply and demand. But it just did not happen that way. The sellers placed their commodity in storage and left. Arriving in the city in the winter, when apples had long come to an end in state trade, they so boosted prices that they quickly made up for their outlays.

I cite this example not at all for the purpose of proving the fallaciousness of the method of reducing market prices through competition with state trade. Simply put, each method has its advantages and defects. In order to knock down prices, one or two of even the largest consignments. Goods not inferior in quality to market commodities have to be constantly in the stores. Practically every market has pavilions or stalls trading in state commodities. But their influence on market prices is relative. Of course, if cheap apples and the like were in the stores the year round, it would inevitably result in reduction of market prices. But let us be frank: if state trade could create

such an abundance on counters today, then the necessity of knocking down market prices would not exist. They would fall of their own accord.

And now let us again return to Vilnius. A stall was standing at the very gates of the market. It stated on the sign "BTS".

"Bureau of Trade Services," Kostenko deciphered.

The trade services, as it turned out, consisted of the market buying fruit and vegetables from arriving sellers and selling them through stalls with the "BTS" sign, at the same time getting commissions for the services. Over the course of a year the bureau's trade totaled almost one and a half million rubles. The market accordingly got large commissions. But the main point lay not even in the earnings. Products purchased through the BTS were sold in the market at state prices. Moreover, these products were no different from the market ones either in quality or in assortment. Is it necessary to say that market prices fell as a result of this? And they did not rise again. The BTS did not operate sporadically but permanently. In the spring the bureau "dumped" on the counters 30 tons of early cabbage. In the summer--more than 17 tons of strawberries. Naturally, the "private trader" was unable to hold out.

The Bureau of Trade Services is to be found at practically every market. Only they do not in practice buy up products. As if they could! In order to sell privately owned merchandise--fruit or vegetables--at state prices, it is first necessary to buy them at these prices. But who of the market sellers would agree to such an undisguisedly unprofitable proposal, especially if you take into consideration that the market subsequently collects a commission? And yet this is what occurred at the Vilnius market.

Any form of cooperation is possible, if only it is advantageous. Including cooperation of a state organization with the individual. In order to be able to take something, it is necessary to give something. Without giving, it is impossible to get. An old axiom! What we want to take from the "private trader" in general is clear. But what can he get in return?

Kostenko seriously thought not only of benefits to the buyer but also of benefits to the seller. Today the Vilnius market has a hotel. It has warehouses and counters which are convenient not only from the viewpoint of those who buy but also from the viewpoint of those who sell. Still all of this is not the main thing. What is most necessary for a seller who arrived at a market? A buyer.... It is namely with getting a buyer that Kostenko concerned himself first of all. He arranged trade fairs, set up advertising and pressed people to come. He openly tried to see to it that every arrival at the market would be able to sell what he brought. His actions were manifestly illogical--he assiduously, with all his efforts, supported the competitors of the then weak BTS. He supported them, seemingly urging them to get along without the services of the bureau. Very likely it would have appeared to the casual observer that Kostenko was torpedoing his own ideas.

What did Kostenko achieve with his "illogical" actions? The number of sellers at the market increased. Supply consequently increased. It was not so much

that prices fell, but that internal competition rose among the sold surpluses and there was a certain pressure, a certain trading discomfort.

The vegetables and fruit finally were sold out among the "private traders." But at the same time it became more difficult to trade because the customer now had a choice. The actual process of trading began to require more time and labor.

And at this point a curious fact became clear. Each seller spends a certain sum in payment for warehouse space and spends a certain sum in staying there for several trading days. It is enough to subtract this money from the money made in trade to convince oneself that as a result he has an amount that is only slightly larger than the one he would have got from turning over all his merchandise at one time to the BTS. And in the latter case there is no need to stand behind a counter. Turning over the merchandise, he gets his money and is free! On grasping this simple truth, sellers made tracks to the bureau. Of course, the entire market to a man did not begin to cooperate with the BTS. But there was no need for it. The bureau received and continues to receive enough merchandise to regulate prices at the market, including the prices of those who do not cooperate with it. In particular, it gains because of the fact that the market, aside from "professional sellers" has attracted cooperation with the BTS even from those who formerly came here solely to do their buying.

In recent years, the number of garden plots has grown with unbelievable speed. And almost all of their owners have product surpluses, but not all of them go to trade in them. And this is understandable. The engineer, physician, employee.... Should they decide to stand behind a market counter? Hardly. The material revenue in such a situation would not recompense the moral costs. Let the produce better rot in the garden. But hardly had the BTS started to operate when the owners of garden plots made tracks to the market. They brought apples, pears and plums in basket baskets, other baskets and in knitted shopping bags. And got money for them right away. The contents of the baskets and bags added up to tons. Those same tons which made it possible to control the price situation at the market. And to control it purely economically.

Kostenko's method would not be at all difficult to apply to many other spheres of endeavor of individual work initiative. The main principle is clear--in order to control the "private trader," it is necessary to motivate him to cooperate with state organizations. Without personal interest, control is impossible.

State cooperation with representatives of individual initiative has to be mutually advantageous. But this does not at all mean that it must be one of equal rights. It cannot be of equal rights. The state organization in cooperating with the "private trader" must have effective levers of control over private initiative and the opportunity to dictate reasonable conditions. And in this sense Kostenko's method, which made it possible to control the "private trader" with the help of that same "private trader," is very, very promising.

It is hardly possible that Kostenko from the very start of becoming a director looked at the situation in the market globally, from an economic point of view. More likely, it was in a different way. Each practical step made it necessary to take the next one. And he, a person possessing not so much professional experience as a fresh outlook on accepted things, found a solution to the problem.

As a result of Kostenko's innovations, everyone won materially in full. The state won: the market's trade turnover increased. The citizens won: every visitor to the market now spends less time on purchases. The owners of garden plots won. Everyone won with the exception of... Kostenko: his share was only moral satisfaction.

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HOUSING AND PERSONAL SERVICES

'BLACK MARKETING' IN APARTMENTS, HOUSING PROBLEMS VIEWED

Moscow TRUD in Russian 29 Apr 86 p 1

[Editorial: "A Person Obtains an Apartment"]

[Text] One of the most significant achievements of our socialist society is the right to housing, as affirmed by the Constitution of the USSR.

To provide every family with an individual apartment or house by the year 2000 is a task which is enormous in and by itself but within our capacity, it was stated at the 27th CPSU Congress. The acuteness and great social importance of the housing problem require that the most serious attitude be taken toward it. It was not by chance that the CPSU Central Committee recently adopted a decree entitled "On the Basic Directions for Speeding Up the Solution of the Housing Problem in this Country." It has set specific tasks for party, soviet, trade-union, and management organs both with regard to implementing the large-scale program of housing construction as well as its maintenance and distribution. This last is an extremely important and responsible factor. As emphasized in the decree, the AUCCTU, Councils of Ministers of the union and autonomous republics, as well as the local Soviets must ensure strict observance of the principle of social fairness in distributing housing, establishing the proper sequence in the awarding of apartments, involving the public in monitoring controls, ensuring widespread publicity, and decisively cutting short any violations or abuses in this matter.

Indeed, perhaps no where else do people perceive so acutely the slightest lack of fairness, any deviation from the established norms and rules, as in the solution of apartment questions. Of course, this is a matter of the family's vital, daily interests, its well-being. It is not by chance that in TRUD's abundant mail to the editors on conflicts and acute situations more than 16 percent of the incoming letters deal with the housing problem.

Analysis of the letters and their follow-ups show that, in the overwhelming majority of cases the violations occur where apartments are distributed secretly, the lists of those persons needing them are neither posted nor discussed. Here, for example, is what Ye. Isayenkova, OTK [Division of Technical Control] foreman at the Gatchina Rural Construction Combine, writes: "Lists for obtaining apartments in the new apartment house were posted only after insistent demands by the group. Some of these contain persons whose candidacies were never approved. But the leadership states that it is already too late to change anything...."

Widespread publicity, the active participation of labor groups in solving practically all production and social problems has now become the norm of our life. But there are still some officials who prefer to portion out various types of material goods in a small circle, in the quiet of their own private offices. Such an approach is constantly fraught with violations and personal grudges. The trade-union organizations must implacably struggle against this. It must be done, in the first place, by utilizing such a powerful and effective means as the Law on Labor Groups.

A mature group is a strict judge but a fair one. This guarantees that questions of awarding apartments which are brought up for its discussion will be decided legally and conscientiously, taking into consideration the labor contribution of each person. This is precisely the way they proceed in the group at the Sumy Nasosenergomash Association. And, as a result, despite the acuteness of the housing problem at this enterprise, not a single complaint has come in from here for many years.

Unfortunately, in deciding housing questions it is far from always that the trade-union organizations reliably safeguard the legitimate interests of the working people. Not wishing to spoil their relations with the leadership, trade-union officials quite often append their important signatures to decisions on awarding housing, decisions which are in blatant contradiction to the law. Such instances have taken place at the Irkutsk Home-Building Combine, at the Kalmykstroy Trust, as well as at the Rogachev Diaproyektor Plant, and several other enterprises.

Obviously, and this was underscored at the 27th Party Congress, the existing practice in housing distribution is in need of serious improvement. And, in the first place, we must radically increase the responsibility for violations of the housing laws. TRUD recently related that certain trade-union organizations in Gorky Oblast, upon sifting through instances of such violations, confined themselves merely to handing out sentences to the guilty officials. But those persons who obtained apartments out of the proper turn continued to occupy them. And it was only after the newspaper came out that, upon the insistence of higher-ranking organs, the economic managers of the enterprises concerned (as a rule, those very same ones who had sanctioned the violations) were compelled to bring a lawsuit to recognize the orders as invalid.

In this instance the apartments will have to be returned. But, alas, this is far from always the case. And that is because there is no precise, unambiguous procedure determining the directness of appealing to the juridical organs with regard to each and every instance of housing being awarded illegally. So sentences are handed out to the violators, while those who have obtained apartments out of turn remain there.... In our opinion, a vital requirement for the strict observance of social fairness is needed in the given case by way of reinforcing the law by a norm.

Questions of social fairness in solving the housing problem are not limited by the framework of distributing apartments. The justifiable censure by working people has been evoked by various types of negative phenomena in the exchange of housing, sometimes amounting to virtually blatant black-marketeering in state living space in a number of cases. There is an acute need to solve the

problem of radically improving the work of the apartment-exchange services. They must apply all measures to assist citizens having surplus living space to exchange their apartments for smaller ones.

Sometimes quite a few conflicts and false rumors are engendered by housing which has remained vacant for a long time. When housing is in short supply, such instances cannot be tolerated. The decree of the CPSU Central Committee concerning speeding up the solution of the housing problem provides for increasing the responsibility of the ispolkoms of the local Soviets, economic managers, and the trade-union committees of enterprises for the timely settlement of people in apartments which have become vacant. Social fairness will also be strengthened in such an important question as housing rents. The system of apartment rents will depend directly on the size and the quality of the entire space being occupied.

Speeding up the solution of the housing problem, based on widespread publicity as well as a strict observance of the law and fairness constitutes an important component of the party's social policy. In actively participating in implementing this policy, Soviet trade-union organizations are called upon to rigorously safeguard the legitimate interests of the working people, to show a multi-faceted concern for the specific needs of people.

2384

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CONSUMER SECTOR POLICY AND ECONOMICS

ECONOMIC OFFICIALS CENSURE CURRENT STATE OF EVERYDAY SERVICES

Moscow EKONOMICHESKAYA GAZETA in Russian No 19, May 86 pp 18-19

[Report by V. Savelyev of group discussion under the rubric "Club of Business Meetings": "Accelerated Development for Everyday Services"]

"Text] The 27th congress of our party put new, more important tasks before the people working in everyday services. What must be done to ensure that they are unconditionally fulfilled? What things are still obstructing successful development of the service sphere as one of the most important elements of the party and state's social program?

This was the subject of discussion at the newspaper's "Club of Business Meetings," which met recently in our editorial offices. Participants included important officials of USSR Gosplan, RSFSR Gosplan, the USSR Ministry of Finance, the RSFSR Ministry of Finance, Gosbank, Gossnab, the USSR State Committee for Labor and Social Problems, executives of Union republic ministries and oblast administrations of everyday services, and scientists.

We publish below a report on this meeting.

For a start let us look at some statistics. At the end of 1984 the everyday service system in our country encompassed (including small repair and work shops) 286,000 enterprises. The sector employed roughly 2.8 million people. The total volume of personal services was almost 10 billion rubles, which was about twice as much as in 1975 and almost three times the 1970 level.

And all the same...

No matter how paradoxical it may seem, as the years have passed the number of fully substantiated, fully justified complaints about the work of the service sphere has not diminished. It is quite the opposite -- the number of customer complaints about service sophistication, time of performance of orders, and especially about quality, has risen.

"An unfortunate situation has developed," first deputy minister of personal everyday services of the Russian Federation V. M. Zamula said at the meeting. "Judge for yourselves. In the 8th Five-Year plan the volume of services in the republic rose by 67 percent compared to the preceding plan. The average annual growth rate was 10.7 percent. Growth was 614 million rubles. Later the rate began to decline."

V. M. Zamula particularly called the attention of participants at the meeting to the fact that the number of persons employed in the sector increased by 250,000 in the 8th Five-Year Plan, while in the 11th Five-Year Plan the increase was 27,000, a drop of almost 10 times. In practice the growth rate of service volume fell to two-fifths of its former level, specific capital investment declined, and profitability "jumped."

Neither extensive work methods nor the former economic mechanism will help meet the new challenges. This was clear. And it became especially apparent during working out of the Comprehensive Program for Development of Consumer Goods Production and the Service Sphere in 1986-2000, when analyzing the figures which were used in this program.

Figures on everyday services as of the situation in 1984 were cited above. This was not done only because the Central Statistical Administration yearbook "The USSR Economy in 1985" has not reached us yet; rather it was because 1985 in reality marks the beginning of a new phase in the development of everyday services. The starting point was the decree of the CPSU Central Committee and USSR Council of Ministers on conducting an economic experiment in everyday services.

They Were the First

The timeliness of this document was felt by eight regions of the Russian Federation, those who were given the honor of trying out the new methods of economic activity. They were given an opportunity to escape from the situation where all indicators -- large measures and small -- were handed down to them from above. They received an opportunity, after deducting part of the profit earned according to a stable norm, to keep the rest for themselves, to develop production and improve the conditions of people's work and everyday lives.

Incidentally, one of the important, if not the main element of work under the new conditions was a change in the very approach to planning. Conditions were created for enterprises to take initiative in working out their assignments. The basic point was volume of services paid for by the population. At the present time this indicator accounts for 85-86 percent in the structure of the plan. Of course, it still has not been completely purified. It does include elements of so-called small batches, guaranteed repair work, and the like.

The number of indicators established decreased. But adherence to old traditions and habits did not produce the needed results when the new principles of planning were introduced.

The delivery of indicators on the level of the production associations causes great dissatisfaction. The volume of accounting and reporting work increased enormously. Unfortunately, everyday services do not have much computer equipment. Accounting personnel, unable to handle the increased volume, began transferring to other work.

The time came to work out a reliable methodology for accounting and reporting, and to eliminate arbitrariness with the commodity turnover plan in everyday services.

Under the new conditions of economic activity the formation and use of funds, the production and social development fund and the wages fund, became especially critical.

When the conditions of work in the new way were brought out it was thought that the former of these funds would be, so to speak, the cornerstone in evaluating the activity of labor collectives. The principle was laid out like this: work well and you will have housing, nursery schools and day care centers, Pioneer camps, and so on. In reality it did not turn out exactly this way. This was confirmed by the experience of the first eight, as well as those who transferred to the new conditions of economic activity later.

As for the second fund, the wages fund, intensive measures began to be taken to conserve on it and overexpenditures declined. People in the labor collectives know that if money is saved it can be used for wage supplements and for incentive for enterprises managers, which was not done earlier.

"However," observed V. M. Zamula, "we are not pleased with the situation as to norms for deductions to the budget. There still are none. They have not been determined."

"And who is to blame for that?" A. S. Kardashev, chief of a subdepartment at USSR Gosplan, could not restrain himself. "We are talking about the prerogative of the Ministry of Everyday Services, the jurisdiction of republic departments. The first quarter is over, and there is no norm. How can we go on like this?"

V. M. Zamula responded, "This contribution must be determined precisely, according to a sound economic calculation."

A. S. Kardashev said, "I would like to know exactly what the economic experiment has given the republic in reality (except a headache, of course)."

V. M. Zamula stated, "I will answer. If we had not started working in the new way, we would not have gained two percent growth in the volume of services. The 57 ministries and administrations that switched to the new conditions of economic activity successfully fulfilled last year's plan, while the 22 not working on these conditions failed to fulfill their plans.

"Secondly, enterprise profit rose 15 percent. This made it possible to increase deductions to the funds. Astrakhan Oblast and the Komi and Bashkir ASSR's have begun building housing and nursery schools with the money they received. There are only a few examples at the present time, but they do exist. Forty-four regions have begun setting up subsidiary agricultural shops.

"The labor collectives have tightened up. The brigade form of labor organization and wages now covers 54 percent, while at large enterprises (in the garment industry, for example) it is up to 90 percent. Labor productivity has risen 5.6 percent, and wages 4.5 percent.

"The financial position of enterprises has been strengthened. The incentive fund has grown.

"Finally, in the first quarter of the first year of the current five-year plan the volume of services in the structure of the urban plan was 24.6 percent. This did not occur earlier. We do have reserves. Some 20 percent of the enterprises did not meet their quarterly assignment. Six territories were unable to fulfill their plans for services in the rural area."

Unfortunately, the indicators for qualitative evaluation of enterprise activity have not started working. As the January decree of the CPSU Central Committee entitled "Work of the RSFSR Ministry of Everyday Personal Services to Transfer the Sector to the New Methods of Economic Activity in Conformity with the 12 July 1985 Decree of the CPSU Central Committee and USSR Council of Ministers" observed, there has not been a fundamental turning point toward improving the quality of services and raising the sophistication of service.

Has It Reached Everyone?

"And still," said P. I. Tabalov, department head at the USSR State Committee for Labor and Social Problems, "we believe that on the whole the new mechanism of economic activity justified itself. There has already been discussion here of the increased growth rate of labor productivity and other successes, and of the great potential opportunities inherent in work in the new way, although they plainly are not being fully utilized yet.

"Here is a noteworthy fact. In recent times the USSR State Committee for Labor and Social Problems has received very few suggestions from managers of everyday service organizations and enterprises because many questions of the application of various forms of wages have been solved in principle.

"At the same time, I do not believe I would be wrong to say that the new economic mechanism still has not reached every brigade, every working person. Some people in some places have not mastered all its subtleties. Sometimes people ask, 'Is that possible?' 'Yes, it is.' 'We didn't know that.'"

Sociological studies done in Astrakhan and Saratov oblasts, the Bashkir ASSR, and Altai Kray produced some curious figures.

Only 15 percent of the respondents gave sensible answers to the question: "What exactly is the new economic mechanism?" The rest said, "We are doing something like that." "What have been its results?" Many answered, "Nothing has changed." Many complaints against everyday services were expressed.

Due credit must be given the the RSFSR Ministry of Everyday Services, which carried the bulk of the load in trying out the new methods and gaining experience. There is no need to talk about shortcomings; they are clearly discussed in the January decree of the CPSU Central Committee.

The situation in a number of Union republics is alarming. All the normative documents necessary for work in the new way were sent to them before the end of 1984, but we still do not see the kind of purposefulness that is found, for example, among everyday service employees in the Baltic republics.

"The discussion today shows," P. I. Tabalov observed, "that sector work in the new way has brought to light a number of significant shortcomings. What should be done?

"Contract forms of work have been discussed here. Yes, the contract form is what shapes real, genuine cost accounting. But we do not have to introduce it in a rush. This form is capricious by nature and demands real preparation before launching. If we do not make healthy norms the basis of calculating contract sums during the

negotiation of the contract, we will not receive an impact from either party. The establishment of labor norms should be the cornerstone here.

"As for planning the wages fund (one of the most important questions at today's meeting), I personally am impressed by the normative method. The wages fund must be calculated from the total volume of services and, it would be desirable, from labor-intensiveness.

"We operate two funds at present, the wages fund and the material incentive fund. I think that we must stick to one side. It is better the way they do it in Astrakhan, Belorussia, and Yaroslavl, where all working people are given incentive from a single source, the wages fund. It is easier, to put it this way, to count production costs, and there is more room for collective forms of labor organization and payment."

A. S. Kardashev commented, "And should the material incentive fund be withdrawn, abolished?"

P. I. Tabalov: "No. It simply should be given a different direction. And there is more. I think that we have to deepen cost accounting, as is being done in Estonia.

The Estonian Variation

"To assess its meaning briefly, it represents boldness in the approach to the contract forms of work envisioned by the new methods."

"At the end of the first quarter of this year our republic has 1,298 persons working according to contract forms," reported first deputy minister of everyday services of Estonia E. R. Truve. "They have the highest output, 6,186 rubles, almost one-third higher than the average for the ministry (it was 36 percent according to the results of last year).

"You might think, what more is there to say. Introduce it, disseminate it. But we are not idealists, and we do not think that each and every one should be transferred to the contract arbitrarily. That could be harmful, not helpful.

"That is the first thing. Secondly, I agree with my colleagues that certain enterprise managers are not interested in overfulfilling assignments, and mistakes in planning are having an effect. We also need to change the system of incentive for managers and engineering-technical personnel, give rewards for the final result and reject the old forms. The procedures should be uniform -- if you have done more or better, you will get more. We have had particularly good luck with the principle of rewarding dependent on percentage of earnings.

"Finally, I want to mention methodologies. We are all accustomed to them being absolutely the same for all regions. But should they be?"

"Who is stopping you?" S. A. Kardashev interjected.

"Permit me to answer," Yu. Kh. Sillaste, director of the Estonian branch of the Scientific Research Institute of Labor, entered the discussion. "When USSR Gosplan was talking about norms according to the wages fund the question was put this way: take as your basis the growth principle or rubles of service. Then the 'or' disappeared. It was left at 'growth' only."

K. P. Plekhavichyus, LiSSR minister of personal everyday service, also spoke of the need for a differentiated approach to evaluating the activity of service enterprises: "Take a prominent indicator such as volume of services in the rural area. It cannot be the same for everyone. It is one thing if we are talking about a very remote place, where the oblast center or nearest large city is hundreds of kilometers away. It is something quite different when the territory is small, roads are good, and transportation links are not a problem (in our republic one out of three families has a car). Under such conditions the boundary between city and countryside in terms of services is eliminated. Often you simply cannot tell (we don't ask for passports, you know) what is city and what is country."

What to Use for Sewing, for Repair Work?

The problem of material-technical supply to the sector is not a side issue today in refining the economic mechanism; it is of considerable importance. At the 27th party congress N. D. Dzenis, director of the Bauskiy Rayon everyday services combine of the LaSSR Ministry of Everyday Services, spoke of the acuteness of the problem. The participants in the business meeting at our editorial offices did not skirt around the issue either.

When V. V. Matveyev, deputy chairman of RSFSR Gossnab, rose to speak, someone in the room commented: "We haven't had any fabric, and we still don't."

"Well, all right, I will talk about fabric too," Vasily Vasilyevich began. "The garment subsector of everyday services handles about 600 million rubles worth of all types of fabrics in a year. Most of this material is bought at the annual fairs. And every time the question of updating the output is critical. Industry offers a great deal of output that is not in demand. So considerable amounts of goods lie unwanted in the service system, as well as in the supply and trade systems."

"Last year customers refused to buy hundred of millions of rubles worth of fabrics that were offered to them. It is notable that one year before that the figure was much smaller. It is obvious that the machinery is going in circles. Goods that no one wants continue to emerge from the gates of the factory."

"In June there will be a fair to purchase fabrics for the coming year. I want to take this occasion to say that it would be good for EKONOMICHESKAYA GAZETA in its pages to raise the question: what has been done during the year to put a stop to the production of fabrics that are not in demand? I think that both trade and the everyday services system will provide essential information on this matter."

E. R. Truve commented, "It the statute on wholesale trade to be broadened to everyday services in light of the recent decree of the CPSU Central Committee?"

V. V. Matveyev responded, "We are preparing our proposals on this matter."

The editors remarked that the material-technical supply problems of everyday services are by no means confined to fabrics.

V. V. Matveyev responded, "Unfortunately, that is true. There is a fairly critical situation with spare parts for radio and television equipment (customers sometimes

wait months for repairs because of the lack of minor parts) and for complex domestic appliances. Small amounts of building materials are being allocated."

V. M. Zamula remarked, "We talk a great deal about 'do-it yourself' stores and rental offices. But what is Gossnab doing? Is it proposed to open such stores in the Gossnab system?"

V. V. Matveyev responded, "We have not worked on this yet. But neither has the Ministry of Everyday Services raised such a question."

V. M. Zamula: "What is there to raise? Open the stores and we will buy your goods."

Small Became Large

Before telling the reader about the discussion of small batches of articles in the everyday service system, we will permit ourselves a small digression.

One of the specialists of the everyday services system, who has a good grasp of this matter, called the editorial offices once and said, "Everybody is talking all the time about small batches. It is not the job of everyday services, they say, to substitute for light industry. But let me give you a graphic counter-example, I was recently on vacation in Yurmala. I went into a shop. While I was on vacation, I thought, I would order myself a sweater (they make good ones there). They told me, 'Why order one. Try on a ready-made one.' I tried it on, and it was a perfect fit. I paid my money, took it, and left satisfied."

Is that convincing? Absolutely.

Then why have small batches of articles (made for reserves, without advance orders), which have in some places become quite large, nonetheless been a subject of universal discussion?

Both during the period of preparation for the transition to the new conditions of economic activity and during the time that everyday services has already been working in the new way the author of these lines has encountered many negative aspects of this matter. Many enterprises and organizations, in order to go onto the new conditions of economic activity with healthy organisms, simply discounted unwanted above-norm residual material assets, in whose formation the small batch had played its part.

Was the act of forgiveness beneficial?

Let us listen to N. D. Ryabov, chief of an administration at USSR Gosbank: "It has been authorized to consider the value of articles made in so-called small batches in the volume of services paid for by the population. In practice this leads to an unjustified increase in the production of these articles at the expense of serving individual customers, to irrational use of material resources, and in many cases to accumulations of finished products that the population does not want. Enterprises of the RSFSR Ministry of Everyday Services alone have accumulated some 60 million rubles worth of them."

How is that for a small batch! The so-called budget services are similar. They also infringe on individual services, to the individual customer. The instructions

on procedures for compiling the report of fulfillment of the plan for rendering everyday personal services using form "1-byt," instructions that were ratified by the Central Statistical Administration with the agreement of USSR Gosplan, envision an extensive list of services to enterprises and organizations. This circumstance is taken advantage of to the fullest degree. The result is that the proportion of services paid for by the population within the total volume of services is declining.

Similar examples were cited at the meeting by G. I. Zhuravlev, head of an administration of the RSFSR Ministry of Finance; N. M. Druzhkin, deputy head of an administration of RSFSR Gosplan; G. M. Zaytsev, head of an administration of the Russian Republic Office of USSR Gosbank; and other comrades.

"I cannot help but agree with the opinion of the comrades," said A. A. Osipov, head of a division of the USSR Ministry of Finance, "that work under the new conditions has already produced results, and also that the opportunities of the new methods still are not being fully employed."

And he gave the following example. He asked the manager of one of the Moscow shops why there were no evident changes in their operation.

What did she answer? "They called us from the administration and said -- the experiment is over, go back to the old ways."

There is no return to the old ways. And there is no other way to bring about dynamic acceleration of everyday services except persistent refinement of economic methods of work. The main things here are cost accounting and the anti-expenditure mechanism at all levels.

Responding to the question raised of normative payments to the budget, A. A. Osipov said that they were based on financial plans that preceded the experiment. This mechanism was transferred to the new conditions. The budget still has not helped the sector in forming, among others, working capital. On the other hand, the issue of withdrawing depreciation deductions has already been decided.

V. M. Zamula remarked, "Indeed, but how much time, effort, and nervous energy was spent to see that they finally left the payment for capital to us. I will add that our work is not calculated for cold metal; it is addressed to human beings, to the social program. And these features must be taken into account."

Yu. Kh. Sillaste commented, "It seems to me that more than a few problems of the service sphere come from the old philosophy: thinking and acting on the model of industrial production. This also goes for standardization..."

Was the Stitch Right?

The following incident was also discussed at the meeting. A customer ordered a suit at a shop. And then, as fate would have it, an employee from the standardization organs appeared. The following dialog took place:

Standard: "You can't take this suit. The stitch isn't right."

Customer: "It suits me."

Standard: "This is my business."

Customer: "I asked for it that way. I paid money."

Standard: "Don't interfere."

Without standards, or more precisely without technical specifications, a skirt, trousers, or a jacket cannot be made. If the work does not fall within the technical specifications the article cannot be sold. That is correct. But if the deviations were "planned" by the customer himself, that is an entirely different matter.

While arguing in principle for the application of standardization and metrology and strengthening their role in improving the quality of services, participants at the meeting were talking about work on important things and the need to tighten control over the production of goods and materials, both for the market and for the service sphere. We must create such economic and other conditions that the manufacturer will not have a right to produce defective goods. We need a law on quality, which was discussed at the party congress.

Administration Is Also a Mechanism

"Yes, we need a law on quality, just as we need to have precise instructions. Good management is impossible without them," Ye. S. Parshko, deputy head of the Sverdlovsk Oblast Everyday Services Administration, continued the discussion. "Directive documents should state everything clearly and precisely so that collectives and each ordinary worker understand. But as an example, I think that Instruction No 16-3/66 of 14 March 1986 failed to simplify the methodology for calculating incentive funds; in fact it greatly complicated it.

"It is an entirely different matter with normative deductions to the budget. Many problems were solved when they were introduced. As of 1 January 1985 the Sverdlovsk Oblast Everyday Services Administration was 2.2 million rubles of working capital short, but already by the start of the present year we have fully supplied ourselves with working capital.

"It would be good if the system for administrating the sector were that simple. At the present time it is super-complex."

The Political Report to the congress and statements by delegates there told us: we must look for ways.

"I think," Ye. S. Parshko said, "the time has come to use the oblast administration as a base to form an association with the rights of a republic industrial association. It should include the sectorial main administrations, and the main element in providing services should be production administrations with the rights envisioned by the Statute on the Socialist State Production Enterprise."

The need for a persistent search for more refined methods of economic activity was discussed at the meeting by A. P. Kondrashkin, chief of the administration of labor and wages of the RSFSR Ministry of Everyday Services; V. V. Ovsienko, head of the planning division of the UkSSR Ministry of Everyday Services; Z. A. Sizova, chief

engineer of the Moscow Oblast Everyday Services Administration; G. T. Zhavoronkov, head of the Leningrad Oblast Everyday Services Administration; and V. I. Getmanskiy, division head at the USSR State Committee for Prices.

In January of this year the appropriate ministries and departments were commissioned to prepare measures for further refinement of the economic mechanism in the everyday service system. Timely solutions to a number of unsolved problems in the sector (methodologies for planning, formation of funds, mutual relations with industry and trade, and others that were discussed at the meeting) will help further accelerate the development of the everyday services system in conformity with the demands which the 27th congress of our party placed before one of the most important elements of the social program.

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CONSUMER SECTOR POLICY AND ECONOMICS

'PROFITABILITY' IN REBATES TO RETAIL TRADE MARKET ANALYZED

Moscow FINANSY SSSR in Russian No 2, Feb 86 pp 32-37

[Article by Candidate of Economic Sciences V. P. Boykov, docent at Leningrad Institute of Soviet Trade: "Improving Trade Discounts, A Most Important Condition for Shaping Cost-Accounting Trade Profit"]

[Text] Trade rebates are an important element of state retail prices, one designed to recompense outlays on circulation and generating trade organization profit. The demands, as formulated in the draft of the new CPSU Program revision, that prices more accurately reflect the level of socially necessary expenditures, as well as product and services quality, apply in full to trade rebates as well, and in this sense they perform the role of price in trade.

The role of trade rebates in ensuring profit for normally functioning trade enterprises is constantly growing. Over the past 18 years, the rise in the level of profitability of state retail trade from 0.9 percent in 1965 to 2.6 percent in 1983 has been provided solely through trade rebates growth. The level of circulation outlays over that same period not only did not drop, but rather rose by 0.2 point. In the 9th Five-Year Plan alone, the rise in profitability was provided by a reduction in circulation outlays (see Table 1).

Table 1. Dynamics of Trade Rebates, Circulation Outlays, Profitability and Profit from the Sale of Goods By the State Retail Trade System*

<u>indicator</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>
trade rebates as a percentage of trade turnover;	8.53	10.23	9.54	10.87	10.43
as a percentage of the preceding period	100.00	119.90	93.30	113.90	96.00
level of circulation outlays, in percent;	7.63	8.33	7.54	7.87	7.83
as a percentage of the preceding period	100.00	109.20	90.50	100.40	99.50
profit, in millions of rubles;	628.00	1,885.00	2,805.00	5,333.00	5,190.00
as a percentage of the preceding period	100.00	300.20	148.80	190.10	97.30
profitability level, as a percentage of trade turnover	0.90	1.90	2.00	3.00	2.60

(see following page for note)

(Note to Table 1, preceding page:)

* Calculated using "Narodnoye khozyaystvo SSSR v 1922-1982 gg." [USSR National Economy, 1922-1982], Moscow, Izd-vo "Finansy i statistika," 1982, p 554; "Narodnoye khozyaystvo SSSR v 1983 g." [USSR National Economy in 1983], p 541.

Expansion of the assortment of goods and improvement in the trade-technological process and trade movement have necessitated constant development of trade rebates.

A 1979 re-examination of them was an important step towards actualizing program provisions. The increased differentiation of the trade rebates, the 39-percent rise in the level of retail trade profitability, and the overall reduction in the number of enterprises operating at a loss in all systems of the branch which were achieved as a result of this review have facilitated bringing the level of the trade rebates closer to that of the socially necessary labor expenditures. The USSR Ministry of Trade system has significantly reduced the absolute and relative number of cost-accounting retail trade enterprises operating at a loss. In comparison with 1975, the number of such enterprises has been reduced by 32 percent, and the proportion of such enterprises has decreased from 5.2 to 3.3 percent. The mixed character of the profitability level by republic and trade system has been reduced substantially. However, even given the new trade rebates, the number of enterprises operating at a loss has remained significant in a number of trade systems of the branch.

For the state trade system as a whole, 30-45 percent of the enterprises were on the borderline of profitability.

The main reason for this situation is that trade rebates for a number of goods are not scientifically substantiated. Thus, for example, current trade rebates for a number of food and nonfood goods ensure unjustifiably high profit, while marketing is on the borderline of profitability for others (Table 2, following page).

This leads to a situation in which the level of profitability differs widely by union republic and specialized trade system without sufficient justification.

In order to reduce somewhat the difference in levels of profitability of individual trade organizations, we have the practice of planned redistribution of gross revenue within trade systems, in contradiction of the principles of cost accounting.

All these materials provide grounds for asserting that it is urgently necessary to further develop, and especially to intensify, the commodity differentiation of trade rebates.

It is only in the course of planning trade rebates that we can find, in our opinion, the correct resolution to the apparently contradictory problem of trade rebates stability and rebate mobility. The stability of the system of trade rebates as a whole is a necessary condition for using normatives long in effect for profit distribution, generating economic incentives funds, and payments to the budget. At the same time, one cannot permit any significant freezing or antiquation of the trade rebates or their alienation from socially necessary

Table 2. Level of Profitability By Commodity Group (in percent of circulation outlays)

Nonfood Goods			
flax fabrics	-38.5*	footwear	26.9
window glass	-13.4	headwear	27.0
metal dishes	- 8.0	sewn garments	30.1
cotton fabrics	- 7.6	perfumes and cosmetics	30.3
silk fabrics	- 2.0	stockings, socks	37.5
thread	- 1.2	haberdashery	42.6
wool fabrics	14.3	fur and fur products	53.5
toys	16.6	furniture	56.3
metal beds	17.3	building materials	63.1
glass, porcelain and china dishes	18.3	knitwear	68.7
office supplies	22.0	electrical goods	79.8
music goods	24.4	sporting goods	93.1
bicycles	26.7	radio goods	135.1
Food Products			
potatoes and vegetables	-34.6	canned fish	12.7
salt	-31.9	butter	13.9
eggs	-28.9	canned meat and meat-vegetable products	16.5
canned vegetables, fruit and berries	- 7.7	confectionery	32.5
herring and other fish	- 7.4	meat and poultry	36.5
sausages	- 0.8	fruit, berries, melons	37.5
milk and dairy products	3.2	tea	40.2
flour, grain, beans, groats, pasta	9.4	vegetable oil and other fats	40.7
bread and rolls	10.0	beer	41.7
nonalcoholic beverages	11.3	sugar	46.9

* - (minus) signifies loss-producing

labor expenditures (ONZT). Trade rebates for individual types and groups of goods must promptly reflect substantial changes in the level of labor productivity on the basis of technical progress, transport expenses resulting from advances in the siting of consumer goods production facilities, and so forth. Excess profitability resulting directly from trade rebates becoming obsolete is economically harmful, as it weakens the system of economic levers and incentives for further increasing efficiency.

Even the 26th CPSU Congress pointed out the necessity of "Improving price formation in branches of the national economy as an important tool of planned management. Strengthening the incentive impact of wholesale prices on improving product quality, accelerating the utilization of highly effective new equipment and replacing obsolete equipment, the more efficient use of production resources, and lowering output net cost. Strengthening state price discipline." This applies in full to trade as well.

Economists have made a number of proposals on improving trade rebates.¹ These proposals can be combined into two groups. The first concerns raising the level of trade rebates. The second concerns increasing their differentiation (by commodity, by territory, and by trade system). But it seems to us that the authors have underestimated somewhat the potential of these proposals and have not taken into account the influence of new factors on the system for forming trade rebates. Thus, some economists who think that the normal level of profitability in retail trade must be 3.5-4.5 percent of commodity circulation² propose an overall rise in the level of trade rebates. It seems to us that, given the present level of trade rebates, we need to move not towards raising them, but towards further differentiating them and establishing scientifically substantiated profit distribution between cost-accounting organizations and the state budget. This is necessary due to the following circumstances.

First, in 1982, the overall level of trade rebates ensured a profitability level of 12.73 percent relative to average annual fixed assets and material circulating capital in the USSR Ministry of Trade system. Second, the present overall level of trade rebates ensures a similar level of profit when about 60 percent of it is withdrawn to the budget.

Under these conditions, further rise in the trade rebates level could lead to unnecessary capital roll-overs. Moreover, this could act to reduce the interest of cost-accounting trade collectives in seeking out internal reserves.

When examining proposals on differentiating trade rebates, it should be borne in mind that they are currently differentiated by 80 groups of food goods and 175 groups of nonfood goods. Experience testifies to the fact that this number of groups is inadequate to reflect all the diverse differences in the expenditures-intensiveness of goods in a commodity group in a given grouping.

For example, such commodity groups as "Men's and Women's Outerwear," "Footwear," "Headwear," "Watches" and several others are highly consolidated. Moreover, the necessity of differentiating trade rebates within commodity groups also results from the dependence of the absolute amount of a trade rebate on the price of the commodity, given that the latter is of equivalent expenditures-intensiveness.

¹ See, for example: V. R. Praude, "Khozyaystvennyy raschet i effektivnost' torgovli" [Cost Accounting and Trade Effectiveness], Moscow, Izd-vo Ekonomika, 1977; M. I. Bakanov, "Rentabelnost' torgovli i rezervy yeye povysheniya" [Trade Profitability and Potential for Improving It], Moscow Izd-vo Ekonomika, 1978; G. P. Yelisseyev, "Several Trade Cost Accounting Development Problems," in the book "Khozyaystvennyy raschet i effektivnost' proizvodstva" [Cost Accounting and Production Efficiency], Moscow, Izd-vo Nauka, 1978; A. I. Levin and A. P. Yarkin, "Tovarnoye obrashcheniye, problemy prognozirovaniya i upravleniya" [Commodity Circulation: Forecasting and Management Problems], Moscow, Izd-vo Nauka, 1980; G. P. Yelisseyev and L. I. Mokeyeva, "Economic Incentives In Retail Trade," in the book "Ekonomicheskiye rychagi ratsionalnogo ispolzovaniya resursov" [Economic Levers for Efficient Resources Use], Moscow, Izd-vo Nauka, 1981.

² I. I. Bakanov, A. M. Birman and V. A. Yazev, "Khozyaystvennyy raschet v torgovlye" [Cost Accounting In Trade], Moscow, Izd-vo Ekonomika, 1982, p. 35.

It should be borne in mind that the present stage of development of the domestic market in our country is characterized by a number of specific features. The main one of important significance to the shaping of trade rebates is the ever-increasing saturation of the market with consumer goods, with simultaneous growth in the monetary incomes of the populace and, in that connection, a higher level of satisfaction of consumer demand for individual goods.

At the present time, the stage of so-called primary saturation of the demand for basic foodstuffs and nonfood goods is already complete. The degree of satisfaction of the demand for a majority of goods exceeds 50 percent (calculated as the ratio of actual consumption of a particular commodity to a level corresponding to efficient norms), including 81 percent for the most important foodstuffs, 66 percent for clothing and 69 percent for durables. At present, the level of availability of individual types of items to the populace is quite high. Calculating per 100 men, it is 88 percent for winter coats, 86 percent for raincoats, 205 percent for suits, 102 percent for jackets and 801 percent for shirts; per 100 women: 115-119 percent for coats, 103 percent for dresses and 320 percent for skirts. The degree of satisfaction is complete for many items, in particular: lightweight coats, dresses, shirts, and skirts. Purchase motives are mainly wardrobe supplementing and replacement. The research shows that 68 percent of consumers change their wardrobes over the course of three years. This leads to a situation in which demand for assortment and quality has increased sharply. This necessitates considerable improvement in quality and broadening of assortment and will, in the final analysis, lead to a considerable increase in the range of retail prices for a number of goods.

One important factor artificially accelerating this process has been imperfection in the main indicator for evaluating the economic activity of industrial enterprises: output marketed. It promotes enterprise interest in releasing materials-intensive, expensive products. For example, the Novosibirsk Garment Association imeni Garment Workers Trade Union Central Committee has increased its production of men's and women's coats 2.4-fold in physical terms from 1970 through 1982, including a 4.6-fold increase in production of its highest-quality coats, while it has increased production of its ordinary-quality coats by only 22 percent. The difference in the average retail price of these items is 70 rubles. This is profitable for the enterprise if its plan is in rubles. At the same time, the association has not met the demand for ordinary-quality women's coats for many years. In 1975, the association manufactured 40,000 such coats at a price of 100 rubles; in 1982, it manufactured only 12,000.

This "washing away" of cheap goods has also been observed in several other groups of cultural, personal and household goods. Whereas the retail price of a ton of dishes and other household items made of tin produced in Khabarovskiy Kray was 257.50 rubles in 1970, that had increased to 1,371.04 in 1982. In this connection, the actual production volume had dropped more than four-fold (!). The data in Table 3 (following page) testify to the fact that this is a widespread process. It follows from that data that the rates of growth in output volume in cost terms during 1970-1983 significantly outstripped the rates of growth in production in physical terms in three branches of light industry (footwear, knitwear and garment-making), while the state retail price index fell in footwear and knitwear industry and was stable in the garment industry. The situation was similar in several other branches of light industry as well.

Table 3. Rates of Growth in Output Volume By Individual Branch of Light Industry During 1970-1983 (1970 = 100)*

	<u>1975</u>	<u>1980</u>	<u>1983</u>
Footwear Industry (in cost terms)	113.0	141.0	152.0
leather footwear, million pairs	102.8	109.4	109.7
felt footwear (both thin and thick), in millions of pairs	94.7	83.3	80.2
rubber footwear, million pairs	118.5	111.6	115.0
state retail price index:			
for leather, fabric and combination footwear	100.0	99.5	99.6
for rubber footwear	100.0	99.0	99.0
Knitwear Industry (in cost terms)	133.0	167.0	185.0
linen knitwear, million units	117.3	140.5	143.9
knit outerwear, million units	112.3	115.4	114.2
stockings and hosiery, million pairs	111.7	124.7	136.2
state retail price indices:			
for knitwear	96.0	92.0	91.0
for socks and stockings	97.0	96.0	96.0
Cotton Garment Industry (in cost terms)	114.0	128.0	135.0
cotton fabrics:			
million running meters	104.4	107.8	109.7
million square meters	107.8	114.9	118.4
state retail price index for cotton fabrics	100.0	100.0	100.0

* Calculated using "Narodnoye khozyaystvo SSSR v 1983 g.," pp 177, 179, 473.

Currently, the difference in state retail prices for expensive and inexpensive men's clothing is approximately seven-fold, for footwear -- about six-fold, for women's coats -- more than eight-fold, for women's footwear -- more than 10-fold, and so on.

There has been a definite trend in recent years towards an increase in the range of prices. This trend will continue into the future as the well-being of the people continues to grow.

Given the existing procedure for setting trade rebates as percentages of retail prices, the growth in the range of retail prices will lead to a substantial, unjustified difference between the the absolute size of the trade rebate for goods of the same type but which have different retail prices. Thus, for example, the trade rebate for men's clothing is 5.9 percent for urban trade organizations, with the exception of consumer cooperatives. When a suit is sold at 40 rubles, the trade rebate is 2.36 rubles; when a suit is sold at 290 rubles, the trade rebate is 17.11 rubles, that is, 7.25 times as much.

At the same time, it is obvious that circulation outlays to market suits are identical and do not depend on their retail prices. This leads to a situation in which the absolute amount of a trade rebate for inexpensive suits does not cover circulation outlays and does not provide the necessary profitability; vice-versa, the absolute amount of the trade rebates for expensive suits ensures unjustifiably high profitability. In this regard, it should be borne in mind that

on average, 75 percent of a trade rebate goes to cover circulation outlays and 25 percent goes towards profit. It follows from this that increasing trade rebates by one percent increases profit by nearly four percent.

It follows from this that the existing procedure for setting trade rebates in percentages of retail prices does not ensure equal profitability conditions in sales of the exact same groups of goods with different retail price levels. Moreover, given that the effective demand exceeds supply and the economic mechanism for ensuring stability of the inexpensive assortment no longer is effective, this procedure promotes trade enterprise interest in selling expensive goods, to obtain unjustifiably high profits, and thus does not stimulate the sale of inexpensive, well-made goods in popular demand.¹ All this does not facilitate strengthening cost accounting at trade enterprises or accelerating scientific-technical progress in the branch and better satisfaction of consumer demand.

It should be noted that economists have put forward various proposals for eliminating trade organizations' favoring sales of expensive goods. Along with the necessity of improving the procedure for shaping trade rebates by setting their amounts not in percentages of retail prices, but as a total,² they have proposed instituting direct state monitoring of production of the inexpensive assortment of goods. In particular, it is pointed out that in the GDR, for example, assortments are planned by price group (three groups, as a rule: lowest, middle and highest) for this purpose. The idea is to establish centrally the amounts (proportions) of production of goods with different price levels for each type of item.³

It seems to us that this problem must be solved by further improving the economic levers, one of which is trade rebates. It would therefore be appropriate, in eliminating the existing shortcomings, to set trade rebates in absolute amounts for the basic groups of commodities having a broad range of retail prices (men's coats, women's coats, men's suits, women's shoes, headwear, and so forth). Such commodity groups as clothing and footwear comprise more than 26 percent of nonfood commodity circulation nationwide. Such a procedure for shaping trade rebates would make the sale of expensive and inexpensive goods equally profitable.

¹ The press has published opinions such as this: "The striving by trade to obtain expensive goods is also intensified by the fact that trade rebate amounts are set for enterprises in this particular sphere in percentages of the retail prices of goods, so consequently, the higher the price of a commodity, the higher the rebate amount" (G. P. Yeliseyev, "Several Trade Cost Accounting Development Problems," in the book "Khozyaystvennyy raschet i effektivnost proizvodstva" [Cost Accounting and Production Efficiency], edited by P. G. Bunich, Moscow, Izd-vo Nauka, 1978, p 179).

See: G. P. Yeliseyev, op. cit., pp 179-181.

See: V. Orlov and O. Savenko, "Directing the Shaping and Development of Requirements and Consumption," in VOPROSY EKONOMIKI, No 10, 1982, p 105.

The fear is therefore sometimes expressed that this would entail increasing the labor-intensiveness of drawing up calculation documents. In actual fact, such proposals would not increase the number of indicators in calculation documents, but would only replace the indicator of trade rebate "in percentage of retail price" with "absolute amount of trade rebate." The total amount of the trade rebate would be determined by multiplying not the total cost of the commodity by the trade rebate percentage, but the absolute trade rebate amount by the number of items of the particular commodity.

The economic literature recognizes the necessity of differentiating trade rebates for packaged and unpackaged goods. In the opinion of the article's author, we need to set two trade rebate norms for goods produced by industry and requiring packing, wrapping or packaging in sets, and the trade rebate for goods not packaged by the manufacturer must be set at a higher level, so as to interest industrial enterprises in packing and packaging the goods they produce. The necessity of industrial packaging results from its being more economical as compared with packaging at the retail level.

The mechanism for setting up a trade rebate for a commodity to be packaged is as follows. The wholesale price for the commodity must be set to reflect packaging by the manufacturer. But it is necessary to anticipate that, if the commodity is supplied to the retail system unpackaged, the cost of packaging at the retail level will be deducted from the wholesale price. Say that an industrial enterprise does not package a commodity. It is then obligated to transfer to the retailer the funds needed by the latter for packaging, which will be significantly higher than manufacturer expenditures to do it.

Let's illustrate this with an example. We know that the net cost of packaging a ton of butter at the manufacturer level is 51 rubles, and at the retail level -- 75 rubles. It is anticipated that the manufacturer will distribute the butter unpackaged. The wholesale price includes the cost of packaging by the manufacturer. When retailers are supplied with unpackaged butter, the manufacturer must transfer to them the funds necessary for the retailers to do the packaging, that is, 75 rubles per ton of unpackaged butter, while it would cost the manufacturer 51 rubles to package a ton of butter. Thus, the manufacturer must transfer to the retailer 24 rubles of its own funds for each ton of unpackaged butter. This procedure for setting trade rebates would make it unprofitable for industry to produce goods in unpackaged form.

So the trade rebate is the basis for shaping profit in retail trade. Its role in increasing profit is constantly growing. Profitability analyses convince us that the existing trade rebates system must be improved. At the present stage, in our opinion, the only correct way of improving them is not to raise their overall level, but to further differentiate them territorially and by commodity, primarily by setting trade rebates for a number of basic commodity groups not in percentages of retail prices, but in absolute amounts, and also by establishing differentiated trade rebates which will stimulate the release of goods packaged by the manufacturer.

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CONSUMER SECTOR POLICY AND ECONOMICS

EFFECT OF PRICE CHANGES ON PROFITABILITY IN LIGHT INDUSTRY

Moscow FINANCY SSSR in Russian No 4, Apr 86 pp 19-23

[Article by Docent I.A. Akodis, All-Union Correspondence Institute of Finance and Economics: "Financial Methods of Influencing Profitability and Assortment in Light Industry"]

[Text] The most important task of industrial sectors producing consumer goods is to fundamentally improve the quality and assortment of articles and to raise their technical and esthetic level, and their operating reliability. Solution of the modern economic problems defined in the Basic Directions of the USSR's Economic and Social Development in 1986-1990 and in the Period to the Year 2000 is closely associated with the effectiveness of production and with the quality of consumer goods--clothing and footwear in particular. The clothing and footwear sectors of light industry most provide the market with high-quality, fashionable, relatively inexpensive Soviet-made products in order to satisfy the growing solvent demand and needs of the population.

One of the financial methods of stimulating this process is to control prices through price increases, rebates and mark-downs, which themselves serve as an effective economic lever both for regulating consumer demand (product sales) and for improving the assortment structure and quality of goods at the enterprises and in the industry's associations.

That price regulation can be classified as a financial method is obvious. Prices take account of current outlays and net income, as well as distribution of the latter as profit and turnover tax. Moreover profit is broken down into fractions paid to different sectors of the national economy participating in reproduction.

Prices make it possible to relate outlays to the results, and to plan and account for production and sales volumes, and gross (in the distribution sphere and in transportation organizations) and net income. They predetermine the assortment of products and their profitability or unprofitability to the industry, and they create economic stimuli for regulating and raising the effectiveness of production and sales. Prices have a special stimulatory significance to enterprises manufacturing consumer goods, since they are responsible for better financial results of sales and higher product profitability, and because they promote production of articles enjoying higher "prestige."

Price regulation in light industry improved noticeably in recent years. Price increases were established for prices on N articles (new) and D articles (especially fashionable articles, experimental models sold at contracted prices), while unmarketable articles are marked down. In 1984, regular seasonal mark-downs were introduced, and an experiment (involving 16 clothing and 16 footwear enterprises) on expanding the rights of enterprises to establish price increases on N goods and on introducing firm price increase scales was begun. These scales assign point values to parameters determining the fashionability of the articles and their artistic merits on one hand, and they determine the percentages of temporary retail price increases depending on the number of points on the other. And although the scales are cumbersome, and overburdened with a large number of evaluation factors and points, and although they do have other minuses which must be corrected by specialists, the idea embodied within them--that of objective justification and regulation of the level of price increases with the purpose of gaining real improvement in assortment--deserves approval.

As far as D articles are concerned, their prices, which are coordinated with trade organizations, are not approved by price setting organizations; instead, the fastest possible sale, which is the responsibility of trade, serves as the justification for price increases. This is precisely what creates a barrier to possible growth of prices. Moreover the action of such increases cannot persist long in view of limits on the sizes of product lots and use of stepped deductions from contracted prices. Except in regard to some assortment considerations, lot size is strictly limited by the Statute on Setting Contracted Prices. This statute foresees reduction of prices at the consent of the parties 6 months after they are set, with the mark-down losses equally shared between trade and industry and reflected in the results of the economic activities of the two sides.

Stepped prices go into effect after the first lot of goods is sold: The next lots are sold first on the basis of interim prices that are 20 percent lower than contracted prices, and then on the basis of the permanent prices--not less than 33 percent lower than contracted prices. If mark-downs are made in connection with a contract violation, the resulting losses are borne by the side that violates the contract. Of course, this does not pertain to systematic seasonal mark-down, but taken all together, this procedure is a model of effective problem solution which encourages sales and punishes the violator of contract discipline. In my opinion this practice is economically justified: Satisfaction of the demand for high-quality, fashionable consumer goods is combined here with obstacles preventing overstocking of such products and with maintenance of a level of profitability for the producer which does not fall below standard, and as prescribed by the procedure for calculating the elements of contracted prices.

The advantages of price increases and their influence on assortment are distinctly evident in the work results achieved by Belorussian light industry during the economic experiment, which expanded the khozraschet rights of the enterprises: As of 1985 the volume of products produced and sold with the Emblem of Quality increased by 18 percent, the volume of N articles increased by 39 percent, and that of D articles increased by a factor of 2.5. In light industry

price increases are not applied to goods bearing the Emblem of Quality. Certification of the articles of this sectors in the top quality category was repealed as of 1985.

Despite significant positive changes in regulation of profitability and assortment by prices, on the whole the system is not sufficiently effective yet. As a result product sales and growth of financial accumulation are retarded, and enormous material, labor and financial resources are "frozen" in hard-to-sell nonliquid goods that are subsequently subjected to mark-down, causing the business, society and the state to suffer significant losses. Just the one-time mark-down of light industry articles carried out in fall 1983 cost around 3 billion rubles.

That product quality and assortment is unsatisfactory can be deduced from the penalties paid by light industry, which average around 8 percent of balance profit (according to the 1984 report); in the footwear subsector this amount is considerably larger, being up to 40 percent in certain cases (in the RSFSR in 1983). Nor could growth of paid fines be curbed by the large-scale economic experiment, even with 100 percent fulfillment of the sales plan with regard for delivery contracts, which is a financial indicator expressing the correspondence of product quality and assortment to the requirements of the consumer (of trade in this case). A threefold increase in fines was observed in some enterprises of Belorussian SSR light industry in comparison with 1983, the year preceding the experiment, when the industry failed to meet the indicator of sales with regard for delivery contracts.

Such negative phenomena occur for a number of reasons associated with material-technical supply, availability of modern equipment and personnel, and so on. This was noted in the Integrated Program of Development of Production of Consumer Goods. Large also is the role played by specific financial factors, and in particular by the distribution of price increases (see table).

As we can see, deductions into the material incentive fund are at the same level in both cases, and in regard to the mature assortment they represent 15 percent of the increases. The equal level of these deductions is fully justified by their common purpose--material stimulation of production of the best products in terms of quality and assortment. But use of these deductions in situations apart from the experiment was limited to a certain circle of recipients of the corresponding bonuses, which included only those sections or shops which produced the given product. However, these workers were in a better position anyway: The given shop or section is provided better raw materials, the output norms are lower, and as a rule the availability of new equipment is higher.

Production of new and especially fashionable articles is a credit to the entire enterprise, and therefore extending the payment of bonuses to categories of workers that earn them in accordance with a decision of the enterprises themselves, adopted in the new economic conditions (as of 1986), will make it possible to expand and intensify the effectiveness of stimulation.

In my opinion only bonuses paid to designers responsible for particular models should be distinguished in a special category. All other categories of workers

Distribution of Price Increases, Percent

	<u>Increases on</u>	
	<u>N Goods</u>	<u>D Goods</u>
Material incentive fund	15	15
including for trade organizations (as an experiment)	3	-
Deductions into the budget for subsequent formation of the mark-down fund in trade	45	50
Compensation of temporarily higher outlays or (in regard to the remainder) additional profit* distributed in accordance with the general procedure	40	-
Social and cultural measures and housing construction fund, or the production development fund	-	35

*It was not planned prior to 1984.

are paid bonuses on the basis of specific indicators, satisfaction of which might in the final analysis promote production and sale of goods with high quality parameters; but the idea behind a new model, including the possibility of its production at the given enterprise as well, belongs to the designer. It is the unanimous conviction of representatives of foreign clothing and footwear companies, including in the GDR, that everything hinges upon the new ideas and proposals of designers.

Assets allocated for payment of bonuses for production of N and D articles are not being utilized completely today, which is reducing their stimulatory action. On the whole the amount of unused assets in USSR light industry attained almost 50 percent of the deductions as of 1985, while in a number of enterprises and production associations of Lithuanian SSR light industry bonuses funded by price increases represented from 50 to 10 percent of the corresponding deductions into the material incentive fund earmarked for these purposes. The rest of the bonus assets are sometimes used incorrectly.

Moreover in some enterprises the deductions into the material incentive fund from price increases exceed the total assets of the material incentive fund formed on the basis of fund-forming indicators and reflected in the plan. In comparison with 1977--the year in which the instructions "On Interim Prices on New Consumer Goods of Improved Quality" were published, in 1984 the planned deductions into the material incentive fund increased by 28.2 percent in the USSR Ministry of Light Industry, while unused assets in this funds increased almost fivefold, attaining 86.1 percent of the planned deductions into the material incentive fund. It would hardly be suitable "freeze" these assets in the material incentive fund. In my opinion unutilized assets of this fund should be transferred to the social and cultural measures and housing construction

fund and to the production development fund, or to the YeFRNT [not further identified; a unified fund], similarly as with the unutilized portion of increases to contracted prices or to prices on high-quality articles produced by group A enterprises. But discrepancies between the planned and the actual volumes, between the cost and natural volumes of these funds (correspondence of financial resources to material and labor resources is implied) are possible here. One of the ways of eliminating such discrepancies in regard to the material incentive fund might be to utilize this fund as a source for increasing the working capital standard and to include the corresponding sources in the material incentive fund, which has been proposed by many financial experts, and to turn down loans in the event that additional assets are entered into this fund.

The purpose of establishing deductions into the budget based on the size of price increases had the purpose of forming a mark-down fund, or, more accurately, of financing mark-downs when the assets contained in the trade mark-down fund were inadequate to cover one-time mark-downs and (as of 1984) seasonal sales of unmarketable products. The difference in the level of these deductions is obviously unjustified, and they could be standardized: They could be set at 50 percent of the price increase.

It should be recognized that these deductions are economically justifiable even if they are not use to cover the cost of a subsequent mark-down. After all, price increases are additional profit, from which the enterprises receive significant amounts with which to pay bonuses. And the proportion of the budget represented in this additional profit is significantly lower than in planned and excess profit formed above and beyond the price increases. Moreover light industry uses budget assets to create a centralized fund for assimilation of new goods of improved quality (totaling 0.25 percent of the turnover tax). The assets of this fund are used for the same purposes as is a certain proportion of the price increases allowed for N products.

When the price increase on N goods is distributed, 40 percent is used to compensate the higher current outlays on production. If the total actual outlays turn out to be lower than predicted, as is usually the case in practice, the difference is essentially deducted and lumped with total profit, to be distributed according to the usual procedure of profit distribution. This free part of the profit has been an object of planning since 1984. In light industry, the actual level of price increases and additional outlays on production of N articles exhibited the pattern shown in the table below.

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Level of price increases on N goods as a proportion of total sales volume in wholesale prices	11.8	12.2	14.5	15.7	15.1	15.0	15.2
Proportion of additional outlays on production of N articles in relation to the total price increase	26.1	21.3	22.2	22.5	22.2	17.2	13.2

Despite the decrease in the proportion of higher outlays in the total price increases on N goods in the 11th Five-Year Plan, the remainder of these price increases is lumped with profit (with planned profit today), and its stimulatory role in improving product quality is decreasing somewhat. A study of the activities of the individual enterprises showed that the amount of the additional outlays reflected in the reports is not always accurate, and that it depends on the way economic work is organized and on the qualifications of specialists in the planning, bookkeeping and financial services of the given subdivision. In a number of cases the additional outlays are compensated by assets from a centralized new product assimilation fund--that is, price increases are completely or partially excluded as a means of covering these outlays.

An analysis of the existing practice of compensating higher outlays involved with renewing assortment, and of some theoretical generalizations would show that using several sources, and particularly the price increases on N goods, to finance such outlays is incorrect and unfeasible. True, assimilation of any new article requires higher outlays on production associated with the greater complexity of certain operations or of the production process, with reorganizing the production flows, with retooling the equipment, with training and retraining personnel and so on. This is precisely why a 40 percent price increase was established on N goods, as a means of compensating for higher outlays; still earlier, a new product assimilation fund centralized within the sector and totaling 0.25 percent of the turnover tax had been created for this purpose.

But in the course of production some of these outlays that had been necessary in the initial period of production decrease. Moreover fashion may change an article in such a way that that the direct outlays on it would produce a savings that would compensate for the unavoidable growth of production cost in the initial period. In this case there would be no economic justification for a price increase. As I see it, it would be suitable to make an analogy here between the additional outlays that actually exist with any fashion, and the additional outlays that are automatically included in the production cost of D articles of improved quality. They do not require a special financial reserve for compensation. And no one creates such a reserve.

The price of D products contains a fraction that makes current outlays larger, since according to the adopted procedure of its calculation, outlays are included in the planned price in their total amount, and the price increase is the difference between the contracted retail price and all necessary deductions from it (rebates in favor of the turnover sphere, production cost, profit at the level of planned profitability of articles in the given group, but not below standard, and turnover tax).

That it is incorrect to include compensation for greater production cost in the price increase on N goods is confirmed by the contradictions between economic interests--those of the national economy (the state) and khozraschet interests (individual enterprises and other subdivisions of industrial sectors). An additional source of financing of higher

outlays does not stimulate a decrease in production cost, and chiefly in the production cost of N articles, which generally reduces the effect of khozraschet namely in that direction in which it must play a larger role. This channel acts as a "leak" for that part of the savings which is achieved through rigid planning of expenses, through establishment of limits on material and labor outlays and through mobilization of the collectives of the enterprises to fulfill their planned pledges.

This manifests itself in the practical activities associated with designing new models, and with planning their production cost and profitability. Thus workers of the Leningrad and Gorkiy houses of fashion, who plan the profitability of new models with computers, submit articles for N certification when after several attempts they are unable to reduce the outlays to the mean sector level. It would obviously be suitable here to use contracted prices in individual cases. After all, the possibility of obtaining a lawful source by which to cover the additional outlays--the price increase on N articles--makes it unnecessary for enterprises to keep records of these outlays: The economic necessity of it disappears, and inclusion of price increases on N goods, including additional outlays, into the plan (as of 1984) may encourage the planning of these outlays in larger proportions in the future. But even if these outlays, which do in fact inflate production cost, are not included in the plan, they will have an effect on the reckoning base (in terms of comparable assortment) for the plan of the future year. It should be noted that compensation of additional outlays through price increases is not practiced in any socialist country.

Finally, the part of the price increase for N articles under consideration here may be utilized more effectively if it were to be held in reserve by the sector or by the enterprise or association for the purposes of price regulation or, more accurately, to compensate for lost income from goods in the industry subjected to operational and seasonal mark-down.

Moreover there are special sources by which to compensate for temporary increases in expenses: a centralized fund and the YeFRNT. It would seem suitable to combine these sources in light industry and use them to finance only long-range outlays. This means differentiating higher outlays and including those items in production cost which owing to their economic purpose must be compensated directly by current production expenses.

In my opinion such expenses should include, first of all, outlays on modeling and designing new products, on retooling equipment, and on working out individual operations and details on the basis of new process charts, and some other current outlays, as well as those deviations from the established average and typical expense norms pertaining to individual items and elements of production cost which are included in price estimates.

As a new product is assimilated, outlays having a long-term or a scientific research nature appear. This group includes outlays on developing fundamentally new production processes, training personnel, testing materials, raw materials and intermediate products for new articles, and

some other outlays associated, as an example, with a major transition to a new assortment or to new production conditions, with sales, with material-technical supply and so on. And although their appearance in modern production is a permanent feature, they themselves may differ; they are nonsystematic, and they may be more substantial in their total than the current outlays named above. The YeFRNT should become their financing source.

Presently the YeFRNT is not being utilized in light industry to compensate for outlays associated with development and assimilation of new products and production processes, or to finance additional outlays associated with improving product quality and higher outlays typical of the first year of production of a new product, even though this is foreseen by the statute on the YeFRNT.

As far as the centralized fund, which is set at 0.25 percent of turnover tax, is concerned, its purpose is identical to the above-mentioned part of the YeFRNT: planning, modeling and designing new articles; developing new production processes; retooling equipment; preparing for mass production of a new product (personnel training, wages for workers prior to mass production and so on); testing of raw materials, materials and intermediate products for new articles. In practice this compensation does not always correspond to the actual outlays, because in view of a shortage of assets in the fund, financing by it proceeds without a rigid calculation criterion based on the needs of individual enterprises experiencing difficulties in fulfilling their profit plan.

At the same time, as was already noted, I believe it would be reasonable to change the direction of use of the free part of the price increase on N articles. A financial reserve for price regulation or, more accurately, a special source to compensate for mark-down losses can be formed without losing this free part of the price increase and without combining it with the rest of the total actual profit. I suggest a system of unique stepped prices depending on sales time, which also account partially for seasonal mark-downs, and repeal of temporary price increases prior to the expiration of their three-year period of effectiveness, including in situations where a forced deviation of produced models from the standard of N certification occurs, or where insignificant production defects arise. In both cases the right to introduce a mark-down remains, in my opinion, with the industry (though it should be at the initiative of the trade partner), which would significantly increase responsibility of the producer for quality of his products and their assortment, and for economization of current outlays associated with changes in assortment.

By making the mark-downs right at the enterprise, in the production association, we can save time, which has great importance to the fashion factor and which would not make the mark-down so great that the sales price would not include a financial profit, or on occasion that it would not compensate for a significant proportion of previous outlays. The experience of seasonal mark-downs has confirmed this, especially in regard to unmarketable goods, goods in seasonal assortments and so on.

Sectorwide banking of assets of this sort to compensate for future product mark-down was introduced as of 1985 on an experimental basis into the work of Estonian light industry. The centralized reserve is being formed by deductions totaling up to 30 percent of the free (40 percent) fraction of the price increase on new goods of improved quality, or in other words, up to 12 percent of the total increases on N articles. This reserve is being utilized completely to compensate for losses resulting from decreases of prices on goods and to compensate for the total mark-downs on leftover goods (those removed from production and some others) in warehouses of the production associations, enterprises and organizations of Estonian SSR Ministry of Light Industry. There is full justification for hoping that the results of the experiment will be positive, since I feel that systematic mark-down of unmarketable products in industry (and not in trade), to be compensated by the sector reserve, would bring the price reduction closer to the production level, accelerate sales, create justified prices and, in the end, increase monetary accumulations.

On the whole, improvement of price regulation presupposes exerting financial effects chiefly upon the solution to the product quality problem which was isolated specially by the Political Report of the CPSU Central Committee to the 27th CPSU Congress: "It is an understatement to say that this is our most available and largest reserve. Without high quality, acceleration of scientific-technical progress would be impossible today."

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CONSUMER SECTOR POLICY AND ECONOMICS

NEED FOR CHANGES IN BSSR LIGHT INDUSTRY EXPERIMENT

Moscow SOVETSKAYA TORGOVLYA in Russian No 4, Apr 86 pp 11-13

[Article by V. Deyko, candidate of economic sciences and department head of the All-Union Scientific Research Institute for the Study of Consumer Demand and the Market Situation's Belorussian branch: "The Experiment Sets the Tasks"]

The large-scale economic experiment in industry should not only lead to the achievement of higher production results, but should also fundamentally change the situation in the consumer goods market. At the same time, the problem of the quality of goods is still acute, while industry's work is still based not on the trade network's orders, but on the raw material capabilities of production. There are a good many reasons for this; one of the primary reasons is flaws in the system of planning and managing production and in the mechanism of interrelations between industry and trade.

Our country continually follows a course aimed at increasing the Soviet peoples' well-being, which was reflected in the materials of the 27th party congress. The population's income is growing and the production of consumer goods is expanding.

A large-scale economic experiment, begun in 1984, is being conducted in order to more successfully implement the party's economic policy and to improve the economic mechanism in a number of branches of the country's economy. In the Belorussian SSR it encompasses branches of light industry that produce the majority (over 90 percent) of items of clothing and footwear and the materials for their manufacture.

An analysis of the activity of enterprises under the experiment's conditions shows that positive strides have been made--the production of goods has expanded, their steady supply to the market has improved, higher indices of profit have been obtained and enterprises' stake in achieving higher production results has increased.

Nevertheless, the market situation with respect to these goods essentially has not changed. The trade network still has a good many nonselling items produced by light industry enterprises under the new conditions of management. For example, above-norm supplies of fabric, floor covering and knitwear in

retail prices as of Oct. 1985, totalled more than 40 million rubles (30 days of trade). At the same time, demand for many of these goods is not being met and trade orders for several light industry goods was met by 70 percent to 80 percent in 1985.

The quality of new goods does not differ fundamentally from those previously produced. Most often, only certain parameters that determine the quality of goods (location of tucks, stitches and pockets of outer clothing, form of the toe or height of the heel of footwear, etc.) are renewed. For example, only 3 percent of the sewn goods submitted by industry at the interrepublic fair in 1984 were fundamentally new items, 13 percent wear knitwear, and not a single item of leather footwear was submitted.

Despite an increase in the share of goods awarded the highest quality category and the "N" index, indices for their quality still remain at a low level.

There are, doubtless, a good many reasons for an explanation of this situation in the market. One of the primary ones, in our view, is flaws in the existing system of planning and managing production, as well as in the mechanism of interrelations between industry and trade.

The experiment's conditions stipulate the formation of plans strictly on the basis of orders by consumers of output. However, as practice shows, these plans, as in the past, are being formulated on the basis of the raw material capabilities and interests of the industry's enterprises in isolation from the trade network's orders. Plan indices for the production and supply of goods to the market reflect an aggregated assortment and their means of measurement differ from the trade network's orders. For example, a trade order numbers more than a thousand names of light-industry goods in retail prices, while a production plan contains only several dozen names in physical terms. Plans for the production of goods are delivered to enterprises prior to the holding of wholesale fairs at which the assortment of goods is agreed upon and delivery contracts are concluded. What is more, a full assortment of goods is not always stipulated when contracts are concluded.

It is indicative that the existing system of evaluating the activity of the industry's enterprises for the sale of output has not undergone fundamental changes. It is still based on an evaluation of grouped-item assortments. This reduces accountability for the fulfillment of the plan for supplying a wide assortment and leads to an imbalance in the market between demand and the goods that are offered.

The absence of a mechanized system to monitor inventory turnover at the majority of wholesale bases and retail enterprises that have direct ties to industry is a fundamental barrier to the organization of control over the provision of goods in an expanded assortment to the trade network. At present inventory of the goods that are shipped from light-industry enterprises in an expanded assortment is mechanized at only two of the several dozen wholesale bases that engage in the wholesale provision of articles of clothing and footwear in the republic.

The currently existing system of planning does not ensure the necessary conjunction of economic interests of enterprises in industry and the trade network, insofar as it does not create the necessary motivation for increasing the output of goods and expanding their assortment in accordance with public demand. There is only pressure to increase the total volume of goods produced in terms of cost.

That is why substantial improvement in planning the production of goods, as well as the reorientation of economic levers and incentives toward the achievement of higher end results, are now pressing tasks.

The party and government have determined the basic guidelines for improving the system of planning. They include enhancing the role of the plan as a very important instrument for implementing the party's economic policy, ensuring that plans are balanced, focusing them more toward the accomplishment of social tasks and more strictly subordinating all the activity of enterprises of industry that produce consumer goods to the interests of the trade network and the consumer.

In order to achieve the aforementioned goals, it is necessary to ensure the coordination of indices in the plan of production and trade at various levels of planning and to increase the responsibility of enterprises in industry and the trade network for their fulfillment. Above all, it is necessary to improve plan and evaluative indices in industry and the trade network and establish order in the system of developing and confirming enterprises' assignments for the production and delivery of goods.

To do this we should draw up and institute a single products list with interrelated indices for various levels of planning.

For union-republic ministries (industrial associations) the products list of the trade network's orders for light industry goods, which numbers nearly 1,070 descriptions in cost terms, including 163 fabrics, 200 sewn articles, 123 articles of knitwear, 59 hosiery items and 211 leather and mixed-textile footwear items, could serve as this products list. It would make sense, in our view, to use this products list not only to draw up trade orders, but also the draft plan for the appropriate branches of light industry, as well as in providing preliminary assignments to enterprises and evaluating the activity of branches of the republic's light industry.

An expanded products list that includes all the most important item specifications should be developed and instituted for enterprises (associations) in industry and the trade network. For example, for fabrics the primary specifications should be raw material indices and article designation, for sewn items and knitwear they should include type, form, style and size, and for leather footwear--model and size characteristics. At the same time, various indices should be used, depending on the extent to which groups of goods are aggregated. Physical and cost indices in retail prices should be used, in our opinion, for groups, forms and varieties of goods. The cost form of indices should be the basis of the draft plan for the sale of output, while physical-material indices that reflect consumer costs of goods should be the

basis for enterprises production programs. The use of cost indices is needed for coordinating volume indices with structural elements at various levels of planning, as well as for coordinating plan and evaluative indices in industry and the trade network.

In our view, it would be expedient to develop and institute plan assignments for the production and sale of goods, as well as to evaluate performance, at the level of the industry's enterprises based on the aforementioned products list. The trade network should formulate contracts for the supply of goods and monitor their reception based on this list. In order to do this, it is necessary to organize an inventory of the receipt of goods in an expanded assortment with the aid of computer equipment in the wholesale trade network. Positive experience in this sort of inventory tracking has been gained at wholesale bases for the sale of clothing in Minsk and Vitebsk Oblasts.

At the same time, the need arises for direct coordination of plans for the supply of raw materials with production programs--something that can be achieved under conditions of the further development of economic accountability principles and contractual relations in the system of supply organizations. Supply organizations and enterprises--the suppliers of raw materials and equipment--should work under identical conditions to enterprises that produce and sell consumer goods.

It makes sense to convey plan assignments for the production and sale of output to associations after agreement on the assortment of goods has been reached with trade organizations and contracts for their delivery based on a specific "portfolio of orders" have been concluded, while assignments for the production of raw materials and component materials would be conveyed after the production plan is approved. Plans for industrial enterprises should be established after contracts are concluded with the suppliers of raw materials and the assortment of goods is agreed upon with the trade network.

In conditions of the saturation of the market with goods that is now in progress, it would seem necessary to achieve closer coordination of the plan for trade turnover, its provision with goods and the delivery plan with the trade network's orders for goods channeled to industry. For this it would be expedient not only to plan the production of goods for trade orders, but also to distribute market funds of goods in more precise conformity with them. Calculation of the share of inventory turnover in goods should be conveyed to the trade enterprise (association) in the form of a plan assignment and, depending on its fulfillment, should provide incentives for the collectives' work.

In order to improve methods of formulating production plans, the following procedure for developing and confirming plan assignments is proposed.

In the first stage, trade organizations draw up orders for goods for the coming plan period (year, five-year period) according to a more aggregate products list (the current products list for trade orders) and based on data from a study of demand by the population and nonmarket consumers, and submits it to higher organizations and production associations located in the area of their activity. The latter, on the basis of preliminary assignments (control

figures) provided by higher links of industry and of orders from the trade network, draws up orders for raw materials and components and sends them to enterprises that produce them as well as to their own higher levels of administration. Subsequently, on the basis of preliminary assignments of higher agencies, limits on raw materials (control figures) and trade orders, they draw up a draft plan for the production of goods according to the products list obtained from the trade orders, which they then send to their higher links and to trade organizations to prepare for wholesale fairs. At the same time, work on the formulation of contracts for the supply of raw materials and components with associations (enterprises) that produce them is underway.

In the second stage, trade organizations, based on the market funds of goods and draft production plans obtained from higher administrative agencies, work on formulating production orders and on concluding delivery contracts with supplier-enterprises according to an expanded products list.

Only in the third and final stage, after volume and structural plan indices have been coordinated and contracts for the delivery of goods to trade organizations and of raw materials to industrial enterprises have been concluded is the plan for the production and sale of goods in an expanded assortment, both in terms of cost (based on aggregated groups) and in physical terms (a more detailed assortment), approved and conveyed to the specific executor.

In evaluating the activity of industrial enterprises the primary criterion should be the degree to which trade orders for the entire assortment of goods stipulated in the delivery contracts are met.

The index of output sold in an expanded assortment, along with the production plan, as stipulated by the resolution of the CPSU Central Committee and the USSR Council of Ministers "On further measures to expand the rights of production associations (enterprises) of industry in planning and managing their activity and to strengthen accountability for the results of their work," should be the chief criterion for evaluating the activity of enterprises and a condition for stimulating the delivery of goods according to assortment and quality. Only under such conditions can the role of the contract and the accountability of industry for more fully meeting trade orders, and finally, for substantiating them and more more fully meeting the public demand for goods be raised.

At the same time, there is also a need to improve the system for stimulating the production of goods. The effect of economic levers and incentives in industry should be made directly dependent on the degree to which trade orders for a wide assortment of goods are met, and in the trade network, on the extent to which the public demand for them is met.

It is necessary to create a single material incentive fund in industry from a previously determined share of the profits that remain at the enterprises' disposal. It is also necessary to eliminate the multitude of duplicative systems of material incentive that now exist. Enterprise executives, engineering and technical personnel and office workers should receive

incentives on the basis of plan fulfillment for the sale of output according to contracts. For this it would be proper to provide progressive premium payments to these categories of workers in segments: part would be provided during the year, the rest would be provided according to the results of work over the year under the condition that the plan for the production and sale of output based on delivery contracts in an expanded assortment is fulfilled.

At the same time, it is necessary to establish order in the system of profit distribution and to strengthening its stimulative role in the achievement of higher final results. It would seem expedient to leave the major portion (no less than 90 percent) of the profit obtained through price increments for the development of new goods at the disposal of production associations, channeling it toward the expansion of their production facilities and their material incentive funds and funds for social and cultural measures.

It would also make sense to draw up and institute at the level of ministries and enterprises uniform normatives for the distribution of profit that ensure conditions for their operation on a self-supporting basis; to distribute final-balance profit from all types of activity, and not calculated profit, as is now the case; to determine normative deductions to economic accountability funds, including one fund for material incentives and social and cultural measures.

It would be useful to expand the practice of establishing increments to prices for new goods and using prices agreed upon by contract and to increase the level of enterprises' income through increments obtained for innovation and increased quality of goods.

In order to increase the accountability of the sides for observing the conditions of delivery contracts, it is necessary to increase the level of material sanctions applied to suppliers and recipients of goods. The size of sanctions for the nondelivery of ordered goods should, in our opinion, be increased to 7 percent to 8 percent, and for the delivery of inferior output to 10 percent to 11 percent. It would also be expedient to establish sanctions (of at least 5 percent of the cost of the goods) against trade organizations for the unwarranted refusal to accept ordered goods and to extend the refusal period from the currently established 45 days to 60 days.

Both in industry and in the trade network, fines should be paid not through available remaining profit, but through the material incentives fund; sums obtained through fines levied should be left at the disposal of the recipient enterprises, which would use them to reimburse losses accruing from reduced prices for goods or raw materials and to provide material incentives to the employees engaged in monitoring the reception of goods.

It is also necessary to establish a limit to revisions of the assortment of goods in concluding contracts of up to 20 percent of the total planned delivery and to oblige trade organizations to pay the cost of sanctions that industry does not submit by way of "amnesty."

Thus, the system of planning and economically stimulating the production and sale of goods should be made strictly dependent on the fulfillment of economic

contracts for volume, assortment, quality and scheduled delivery of goods. In other words, it is necessary to create a system of planning and economic conditions that would ensure equal responsibility on the part of enterprises of industry and the trade network for the achievement of final economic results. Such a regulation of the mechanism for the interaction of various branches that ensure the production and sale of consumer goods would make it possible to achieve closer coordination of the production plans for goods with public demand and to eliminate the shortage of many of these goods.

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PAST, PRESENT ADVANCES IN DAIRY INDUSTRY SUMMARIZED

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[Article by V. N. Sergeyev, candidate of technical sciences of the USSR State Agro-Industrial Committee's Department for Animal Husbandry Processing and Production: "The Dairy Industry Must Take the Intensive Path of Development"]

[Text] The Basic Directions of the Economic and Social Development of the USSR for the Years 1986-1990 and for the Period to the Year 2000, as approved by the 27th CPSU Congress, set advanced milestones which must be reached by this country's national economy. The main paths for attaining these goals are a multi-faceted intensification and a raising of production efficiency, based on a speed-up of scientific and technical progress.

During the 12th Five-Year Plan great tasks confront this country's agro-industrial complex and one of its components--the dairy industry. These tasks include the attainment of a steady growth in agricultural production, reliable provision of the country with food products and agricultural raw materials, and combining the efforts of all this complex's sectors in order to obtain high end results in accordance with the Food Program of the USSR.

Successful fulfillment of the plans for 1986-1990 should be facilitated by an analysis in depth of the results of the 11th Five-Year Plan, thus allowing us to discover unutilized reserves, to concentrate our attention on eliminating shortcomings and on solving urgent problems.

During the 11th Five-Year Plan this country's dairy industry made definite strides forward.

As a result of consistently implementing the party's agrarian policy, milk production in this country increased by 8 percent and reached 98.2 million tons. Milk purchases increased at a more rapid rate. In 1985 they amounted to 68.1 million tons, or 119 percent of the amount purchased in 1980. This made it possible for the sector to increase the industrial production of dairy items by 20 percent. Butter output reached 1.5 million tons, cheese--804,000 tons, canned milk products--1,363 million standard cans, dried whole milk--257,000 tons. The output of drinkable milk reached 12.7 million tons, sour-milk beverages--1.75 million tons, sour cream--1.89 million tons, cottage cheese and cottage-cheese items--948,000 tons. Production of items for children's and dietetic nourishment has developed at an outstripping rate. The 1981-1985 plan for the production of butter and whole-milk items was over-fulfilled.

During the past five-year plan more than 60 new types of dairy products were developed and put into production; they have been developed in accordance with resource-conserving technology. They include the following: butter with vegetable oil and fillers, milk and sour-milk beverages, sour cream, cottage cheeses with a reduced fat-content, with fruit and berry additives, and other products with enhanced biological and nutritional values. Within the total production volume the output of such varieties of butter reached 86 percent, those of milk and sour-milk beverages--60 percent, of sour cream--72 percent, of cottage cheese--77 percent, and of processed cheeses--43 percent.

There has been a significant increase in the production of dried, de-fatted milk, dried ZTSM [whole milks] and whey, condensed and enriched whey, and other products. On the whole, the industrial processing of de-fatted milk reached 48 percent of the total resources, that of whey--51 percent, and that of buttermilk--85 percent.

Further development was achieved by this industry's production-and-technical base; more than 2 billion rubles was spent for this purpose. More than 100 enterprises were built, whereas the modernization and expansion of 200 existing ones was carried out.

The proportion of manual labor was reduced from 40.8 percent in 1980 to 33.2 percent in 1985, and this allowed us to free up approximately 20,000 workers.

During the years 1981-1985 Soviet and imported technical equipment was supplied to the enterprises in an amount worth 1 billion rubles. During this period the planning organizations of the Ministry of Machine Building for Light and Food Industry and Household Appliances and the sector created 67 brands of new equipment.

Labor productivity rose by 18.7 percent during the five-year plan. Last year the per-worker output reached 44,851 rubles. The highest growth rates were achieved by enterprises of the RSFSR (21.7 percent), Lithuanian SSR (32.2 percent), and Latvian SSR (26.7 percent).

Production ties between the processing enterprises and the kolkhozes and sovkhoses have been strengthened. There has been a doubling of the volumes of milk received directly at the farms and its centralized shipping out by means of specialized truck transport, which amounted to 41 percent of the total of milk received for processing.

Combining the efforts of the APK [agro-industrial complex] partners and increasing their mutual responsibility have facilitated upgrading the quality of the milk being procured. In 1985 some 82 percent of it purchased was top-grade (as compared to a figure of 75 percent in 1980), while in several krais and oblasts this figure ranged from 90 to 95 percent. The amount of refrigerated milk increased during the five-year plan by 10 percent and came to 54 percent in 1985.

Nevertheless, when one critically evaluates the results of the 11th Five-Year Plan in the light of the demands made by the 27th CPSU Congress, it must be noted that there are serious shortcomings in this sector's work, and a number of urgent problems require solution.

Over the last three years we have not succeeded in eliminating the lag which was allowed during the period 1981-1982. As a result, during the five-year plan less of the following categories were produced than provided for in accordance with the totals of the year plans: rich, creamy cheese, dried whole milk, canned products, SOM [dried, de-fatted milk], and ZTsM. A considerable lag behind the five-year plan was allowed in the output of non-fat dairy production. In 1985 its output declined at Russian Federation enterprises from 1980 by 12 percent, in those of the Ukrainian SSR--by 28 percent, the Kazakh SSR--by 8 percent, the Lithuanian SSR--by 18 percent, and in the industry under union administration--by 14 percent.

Despite the increase in production, the demand of the population for dairy products are still not being fully satisfied, even though their per capita consumption has increased somewhat and came to 319 kilograms (as compared to 300 kilograms in 1982). Considerably less cheese and cottage cheese are being produced than specified in the recommended norms.

The lags which have been permitted in carrying out the tasks assigned by the five-year plan are the consequence, for the most part, of the fact that at many enterprises production has not been restructured onto an intensive path of development, a non-comprehensive processing of raw materials and losses of food products are allowed, non-optimal use is made of secondary raw materials, capacities, labor, material, and financial resources, while serious shortcomings have been noted in the organization of milk procurements and its processing.

In order to attain the high, new goals which have been provided by the five-year plan, the managers and the groups at associations and enterprises must radically restructure their own work, decisively eliminate all that which hinders them from going onto the intensive path of development, take all measures to utilize favorable possibilities for production activity within the system of the APK.

In accordance with the Basic Directions for the Economic and Social Development of the USSR for the Years 1986-1990 and for the Period until the Year 2000, during the 12th Five-Year Plan the volume of commercial production in the dairy industry must increase by 28.5 percent. Proceeding from the state purchases of milk amounting to 75 million tons (a 10 percent growth), it provides for an increase in the production of butter by 7 percent, cheese--by 24 percent, whole-milk products--by 8 percent, canned milk--by 35 percent, dried whole milk--by 12 percent, and non-fat products--by a factor of 1.5. It is planned to raise labor productivity by 25.8 percent. At existing enterprises it is intended to provide the entire increase in production with a lesser number of employees. Provisions have been made to lower product costs by 3.5 percent and to obtain a saving of 1.6 billion rubles.

One of the most important tasks for this sector's employees is to make maximum use of the milk resources which we have in this country, to achieve its more comprehensive processing.

A large reserve is to intensify purchases on the farms belonging to kolkhoz members, workers, and office employees. Here there are more than 13 million cows, from which 27.7 million tons of milk were obtained in 1985, while only

6.3 million tons were purchased. If in the Belorussian SSR its purchases reached 1,092 kg per cow, in the Ukrainian SSR this figure was 472, in the Kazakh SSR--275, in the Uzbek SSR--only 66 kg, in many central oblasts of the RSFSR (Ivanovo, Yaroslavl, Vladimir, Kostroma, Moscow, and others) they did not exceed 400--500 kg.

The marketability of milk on kolkhozes and sovkhoses is increasing too slowly. In 1985 it amounted to 88 percent, i.e., it increased in comparison with 1980 by merely 1 percent. About 8 million tons of whole milk a year are now being used to feed the young farm livestock. Its high expenditure is connected with the insufficient amounts of ZTsM production and their ineffective utilization on farms.

ZTsM resources (calculated as the dried product) in 1985 increased in comparison with 1980 by 185,000 tons (from 232,000 tons to 417,000 tons); with its effective utilization, we could send as much as an additional 1 million tons of milk per year to be processed.

Work in the area of the comprehensive utilization of raw materials does not meet present-day requirements. Only about half of the resources of de-fatted milk, buttermilk, and whey undergo industrial processing. More than 1 million tons of full-value protein and milk sugar a year are channeled into feeding livestock.

During the past five-year plan the tasks assigned by the well-known decree concerning improving the utilization of de-fatted milk, buttermilk, and milk whey were not fully carried out; the corresponding capacities were only partially introduced--398 tons per shift instead of 1100 tons. With the exception of the Lithuanian SSR, none of the Union republics fulfilled the assigned tasks.

During the five-year plan which has just begun it is intended to bring the industrial processing of de-fatted milk and buttermilk for the purpose of making food products and ETsM production to a level of 65 percent and whey to as much as 60 percent of the industry's resources with a growth by 29 and 28 percent respectively.

The directive organs have assigned to the Councils of Ministers of the Union republics, USSR Gosagroprom [State Committee on Agro-Industry], and VASKhNIL [Academy of Agricultural Sciences imeni V. I. Lenin] the task of re-examining the norms for releasing de-fatted milk for the purpose of feeding young farm animals, taking into consideration increasing the use in fodder rations of starter combined feeds and ZTsM and, prior to 1 July 1986, approving the given norms, having in mind a considerable reduction in the expenditure of whole and de-fatted milk for this purpose. The appropriate departments have been entrusted with the task of preparing a proposal on improving the purchase prices for agricultural produce and bonuses on them for the 12th Five-Year Plan, as well as on the release prices on de-fatted milk to be returned to the kolkhozes, sovkhoses, and other farms, as accounted for by the established norms, for buttermilk and whey, taking their food values into consideration.

In order to expand the industrial processing of secondary raw materials, we need to concentrate our means on creating capacities so that during the final year of the five-year plan we can bring the production of dried, de-fatted milk, ZTsM, and dried whey to 1,350,000 tons, of which ZTsM are to be brought up to 800,000 tons, including 450,000 tons at enterprises of the dairy industry. The remaining quantity of substitutes must be produced by specialized, combined-feed plants, to which dried, de-fatted milk will be delivered.

This will create the possibility in 1990 of channeling an additional 5 million tons of milk for food purposes, strengthening the economies of kolkhozes and sovkhozes, increasing the effectiveness of the entire dairy sub-complex, and--what is the main thing--supplementing the country's food balance, increasing the marketable output from 1 ton of processed milk by 10 percent. Due to this alone, the increase in marketable output in 1990 will amount to 1.9 billion rubles in comparison with 1985.

A great deal of work remains to be done in the area of improving product quality, particularly that of cheeses, cottage cheese, and kefir. During the 11th Five-Year Plan there was practically no increase in the output of top-grade rennet cheeses. Because of the low level of technical discipline and production standards, as well as weak requirements, there was actually the same amount of products found to be defective by the inspection organs. There has been serious, unfavorable criticism about the quality of the items being produced by Moscow's dairy combines, as well as about that of products coming into the capital from other oblasts and Union republics. At individual enterprises of the RSFSR, the Ukraine, and Belorussia there are still cases where the production of poor-quality items is allowed with regard to the sanitary-hygienic indicators. There is poor dissemination of the experience of advanced enterprises which have been producing high-grade items for many years.

The quality of the products depends directly on the quality of the milk. The situation in this regard cannot be considered satisfactory. In 1985 more than 5 percent of poor-grade milk (3 million tons) was accepted: in the Kazakh SSR --34 percent, the Kirghiz SSR and the Armenian SSR--as much as 12 percent, in certain oblasts of the RSFSR and rayons of the Azerbaijan SSR--as much as 40 percent. There has been practically no reduction in farms' delivery of raw materials which are bad because of diseases among the cattle. In certain instances there have been deliveries of milk containing antibiotics, pesticides, and inhibitors. In cheese-making areas the production of milk suitable for cheese production does not exceed 40 percent. There is too little refrigerated milk being delivered. The transition to receiving it directly on the farms is being carried out at too slow a pace, particularly in the Azerbaijan SSR, Uzbek SSR, and Turkmen SSR; this leads to a reduction of product quality, as well as an inefficient diversion of the kolkhozes' and sovkhozes' material and labor resources.

In order to eliminate the above-mentioned shortcomings, we need innovative, profoundly thought-out work by the managers and specialists of enterprises and associations, along with those of the appropriate subdivisions of the gosagroproms. It is necessary to actively utilize the advantages of the new form of administering the agro-industrial complex.

Particular attention must be paid to solving the problem assigned by the directive organs--the task of completing during the 12th Five-Year Plan the transition to receiving milk directly at the kolkhozes and sovkhoses and shipping it out by means of specialized motor transport belonging to the procurement people. In order to do this, it is necessary to attain an average annual increase in the volume received at the production places of more than 8 million tons, which is more than double the amount received on an average during the five-year plan just past. We must speed up the preparation of the farms, increase the pace of building side roads with hard-paved surfaces leading to the farmsteads, and increase the effectiveness of utilizing the motor pool possessed by the agro-industrial complex.

Practical work has shown that where the efforts of all the partners in the agro-industrial complex are combined, positive results are achieved, in particular, there is a sharp upgrading in milk quality.

The improvement in milk quality will be facilitated by a number of other measures. Thus, in place of the existing GOST 13264--70, entitled "Cows' Milk: Requirements for Procurement," a new standard is being worked out, which is planned to be put into effect on 1 January 1988. Beginning to take effect on 1 January 1987 will be new technical specifications for milk to be used for producing cheese and children's products, including raising the requirements for its suitability for cheese-making, heat stability, and its protein contents.

Managers and specialists of the dairy industry, in conjunction with the other sub-divisions of the agro-industrial complexes, must actively prepare to apply these specifications, bearing in mind the definition of the zones of introduction, improvement in the fodder rations for livestock, instruction of laboratory workers and specialists in the dairy farms and plants, and raising the sanitary standards.

We foresee a review during the period 1986-1990 of the normative technical documentation for many milk products taking into consideration the requirements for higher quality both in the finished product and in the constituent raw materials.

Improving product quality as a factor in intensifying the economy and more fully satisfying the population's needs is directly connected with including labor organization, strengthening production and technical discipline, upgrading the functional effectiveness of the comprehensive systems for controlling product quality, with the skills of personnel, and also with the technical level of production.

In order to raise the sanitary-hygienic indicators for dairy products, provisions are being made for a more extensive use of dry yeasts, tank concentrates, continuous and enclosed technical processes.

The most important tasks are as follows: to significantly increase production, to expand the assortment and improve the quality of non-fat and low-fat milk

products, to increase their nutritional and biological values by means of using fruit-and-berry fillers, as well as vegetable and vitamin additives. Production of sterilized milk which is stable during storage and having a fat content of 1.5 percent must be brought up to 1.5 million tons in 1990 (this figure was 110,000 tons in 1985). Provision has been made to increase the output of cottage cheese with 2-percent and 5-percent fat content, using butter-milk and whey proteins, separated out from whey by ultra-filtration, ice cream with protein supplements and aroma-enhancers.

Particular attention must be paid to producing butter with the partial use of vegetable oils and protein supplements--of the Slavic, table, and other types.

At the present time insufficient amounts of dairy products are being turned out, especially sour cream, cheese, butter in packaged form. In 1990 it is intended to bring the output of packaged dairy products up to 15 million tons, which will amount to 85 percent of the volume of its retail sales; moreover, the production of milk and other beverages is scheduled to increase by a factor of 1.6, sour cream--2.1, and cottage cheese--2.

Provision has been made for a wider utilization of progressive packaging materials: based on paper and cardboard, polyethylene film, laminated foil, shock-resistant polystyrene, lanister, etc.

There will be a significant increase in the production of children's food items. By the end of the five-year plan the output of dried products will exceed 83,000 tons (doubled in comparison with 1985), which will completely satisfy the need for them, while liquid and paste-type items will reach 100,000 tons (an increase by a factor of 2.5). For this it is necessary that every large city (with a population numbering more than 300,000) organize special workshops at city dairies. There will be a well-developed output of new products for children's consumption and for medical-treatment diets, as recommended by the USSR Ministry of Health.

The chief concern of the agro-industrial complexes is further strengthening the material and technical base of the dairy industry. The technical level of many existing enterprises has remained low. More than a thousand dairies are still functioning which, for various reasons, do not meet present-day requirements with regard to turning out products with a guaranteed quality, environmental protection, or the comprehensive processing of raw materials. In 37 oblasts with a well-developed livestock breeding there is a lack of capacity for producing dried ZTsM.

The industry as a whole has a sufficiently well-developed network of processing enterprises. However, in a number of rayons of the RSFSR, Kazakhstan, Central Asia, and Transcaucasia the delivery of milk has been complicated because of the great distances of its hauls or the topographical conditions. What is required here is the construction of additional milk-reception centers.

A decree of the CPSU Central Committee and the USSR Council of Ministers has provided for measures directed at speeding up the development of the material

and technical base of the processing sectors of the agro-industrial complex, including that of the dairy industry. Capital investments amounting to 1.7 times that during the 11th Five-Year Plan are being allocated for this purpose, and this will allow us to increase the capacities for producing cheese by 217 tons per shift, whole-milk products--by almost 16,000 tons, dried, de-fatted milk, ZTsM, and whey--by 725 tons per shift.

The gosagroproms of the Union republics must achieve a situation whereby the allocated funds are fully assimilated, introduced on schedule, and the capacities loaded.

In order to more effectively utilize the capital investments and material resources being allocated, bring enterprises closer to the places where agricultural raw materials are produced, and reduce their losses, integrated schemes will be worked out and approved in 1986 for deploying enterprises of the agro-industrial complex's sectors until the year 2000.

The question of supplying this sector with up-to-date equipment is of acute urgency. Until now the need for technical equipment has been satisfied on an average by 70 percent, and for refrigerator-compressor equipment--by 60 percent. A great need is also felt for such types of basic equipment as pasteurization-cooling units, self-unloading separators, automate units for washing without dismantling, large-capacity tanks, butter-making units, etc. The technical level and quality of manufacturing many types of equipment fails to meet present-day requirements. A significant portion of it (two-thirds of the products list) has become obsolete; it has been produced without any substantial modernization for more than 10 years. As a rule, the final operations, even those of the assembly lines, have not been mechanized. The equipment has not been sufficiently furnished with instruments and means of automatic control and regulation.

During the current five-year plan the principal focus will be on restructuring the enterprises. It is intended to install technical equipment worth more than 1.5 billion rubles. There will be an increase in the delivery of automatic bagging-and-packaging units, production lines for cottage cheese, self-unloading cream-separators, tanks for sour-milk beverages, equipment for producing dried milk, ZTsM, cheese, milk sugar, and other equipment.

In order to renovate the active portion of the producer goods, work programs in conjunction with the machine-building ministries have provided for the creation of 100 types of new, highly productive equipment.

As a result of the further development of the material-and-technical base of the machine-building plants under the administration of USSR Gosagroprom, their production volume will increase by a factor of 1.5--2. This will allow us to improve the supplying of the dairy-industry enterprises with non-standardized equipment, means of mechanization, spare parts, and other items.

Widespread application will be found in the industry for membrane processes (ultra-filtration, electro-dialysis, and reverse osmosis). It is planned to place membrane equipment in construction modules made of light metal components of the ORSK [expansion unknown] type at city dairy and cheese-making

plants. The standardized plans for the corresponding workshops have been developed by Gipromlprodrom [State Institute for Planning Enterprises of the Dairy Industry].

In order to achieve the production volumes intended for the five-year plan, in particular, for cheese, SOM, ZTsM, and dried whey, it is necessary to considerably improve the use of the existing production potential, to seek out and implement reserves for increasing the output of these products by means of increasing the capacities above the planned level.

In 1985 the capacities for producing cheese were 95-percent utilized, while for drying secondary milk raw materials they were 90-percent utilized. In connection with this, there was an underproduction of more than 25,000 tons of rennet cheeses, and 50,000 tons of SOM, ZTsM, and dried whey. In the RSFSR, the Ukrainian, Belorussian, Kazakh, and several other Union republics there are major shortcomings in mastering and utilizing capacities which have been put into operation; instances have been allowed whereby new enterprises have gone for lengthy periods of time without producing the output provided for by the plan.

The principal reasons for this are as follows: mistakes in the plans, acceptance of facilities with unfinished construction-and-installation elements, lack of assurances regarding raw materials and irregularities in their deliveries, in a number of instances poor quality of the milk being procured and a lack of timeliness in preparing the raw-material areas, a low level of technical services and use of equipment.

The Gosagroproms of the Union republics must achieve a state of affairs whereby every enterprise turns out products in the amounts provided by the plan and within the normative time periods, as well as fully utilizing the production potentials.

One effective way to increase the capacities for producing cheese is to retool the existing plants, installing up-to-date, highly productive equipment and, at the same time, organizing inter-plant cheese-storage areas. During the years 1988-1990 it will be necessary to construct 30 such storage facilities with a total capacity of 40,000 tons, employing lightweight-metal structural components in order to reduce the construction periods and the capital expenditures. Retooling plants and building cheese-storage facilities will allow us to produce approximately an additional 100,000 tons of cheeses during the 12th Five-Year Plan.

Having increased the production of rennet cheeses without aging at city dairies by a factor of 1.5--2, we can produce an additional 30--35,000 of them by the year 1990.

Increasing the capacities for processing de-fatted milk, buttermilk, and whey in the RSFSR, the Ukrainian SSR, Belorussian SSR, Kazakh SSR, and several other Union republics and regions of the country can be done by expanding the construction of interfarm workshops for ZTsM and SOM. Here the experience of Belgorod Oblast can be of some help. In this oblast in the next few years the needs of kolkhozes and sovkhoses for SOM and dried ZTsM will be completely met by reconstruction of the 14 existing shops.

Managers of enterprises and associations must focus their attention on a concern for creating more favorable conditions for highly efficient labor, improving the sanitary-hygienic conditions and safety techniques, as well as upgrading the production standards. We must be more active in introducing the scientific organization of labor, improving its norm-setting, making optimal use of worker time, developing the brigade form of organizing and providing incentives for labor, introducing brigade-type cost accounting, more broadly disseminating the experience of the best enterprises, advanced workers, and innovators of production.

Organization of the administration of an agro-industrial complex as an integrated whole calls for replacement of the outmoded management mechanism, widespread utilization of economic methods, elimination of inter-departmental barriers, and the creation of the most effective conditions for achieving high-level end results. The Gosagroproms of the Union republics must establish monitoring controls over the balanced development of the dairy industry within the agro-industrial complex, pay particular attention to working out unified schemes of development and deployment of enterprises in order to cut down as much as possible on product losses, bringing such enterprises closer to the places where the raw materials are produced, as well as making more effective expenditure of the allocated capital investments and material resources.

Having made maximum use of the possibility for further integrating enterprises of the dairy industry with kolkhozes and sovkhoses, we must achieve an improvement in raw-material procurements, improving their quality, increasing deliveries to the farms of whole-milk substitutes and other animal feeds, increasing the mutual material motivation and responsibility to carry out with a united purpose the large program of the 12th Five-Year Plan, a program aimed at further improving the supply to the population of high-quality dairy products.

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GENERAL

SARKISYAN PRESENTS METHODS FOR IMPROVED NATIONAL WELL-BEING

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[Article by Doctor of Economic Sciences G. Sarkisyan: "Social Policy and National Well-Being"]

[Text] The higher sense of the policy of accelerating the country's social and economic development is seen by the party to lie in raising national well-being to a qualitatively new level. The concept of acceleration incorporates new approaches to development of the social sphere, to improving the living standards of the people -- approaches which take into account the new problems and new possibilities of the country's development.

New Approaches to Problems in the Social Sphere

The documents of the 27th Party Congress draw a conclusion of basic importance concerning the need to increase the role of the social sphere in our society, to ensure its more rapid development and the activization of social policy. "It is precisely in this sphere", states the Central Committee's political report, "that the results of economic activity affecting the vital interests of the workers are realized and that the highest goals of socialism are embodied. It is specifically here that the humanistic nature of the socialist system, its qualitative distinction from capitalism, is manifested most broadly and clearly"

The present phase of development has presented a need for a long term, purposeful, strong social policy, encompassing the entire expanse of the life of man. To this is connected a need to implement, without wavering, the principles of social justice and to increase the role of the human factor in all spheres of the activities of people. Activization of the human factor, which is considered both the goal and at the same time the most important means of accelerating the country's social and economic development, reflects a broad view of man's place in socialist society, his place as the master of the country, as a worker and as a citizen. Consequently, solution of the problem of increasing the role of the human factor cannot be limited to production alone, but must be broadened to include all aspects of social life. The way to do this is to create the material, social and cultural conditions which are necessary to fully realize the potentials of all members of society.

The new approaches to social policy have presented qualitatively new problems in improving national well-being during the period 1986-2000. A special feature of solving the fundamental strategic problems of well-being within this period is the fact that these problems are reaching their definite qualitative conclusion. In the area of consumption, for example, we are talking about reaching a level matching scientifically based norms for rational consumption of a large group of food and basic non-food products and about approaching this level for the remaining goods. An important goal has been set in solving the housing problem -- to ensure that practically every family has a separate apartment. Even during the 12th Five-Year Plan, it is planned to fully satisfy the population's requirements for children's preschool institutions. A sharp decrease in the share of manual labor in the production sphere -- of up to 15-20 percent by the year 2000 -- is envisaged. We stand to create a system of continuous education and to change over to a system of clinics for the entire population.

The Social Orientation of Economic Growth

A characteristic feature of economic growth in modern circumstances is its growing social orientation. Fulfillment of tasks which have been set in the social field demands, first of all, increased rates of growth of national well-being.

During the current five-year plan, it is planned to increase the population's real per capita incomes 1.6 to 1.8-fold. Their absolute growth will approximately equal that during the past forty years. During the 12th Five-Year Plan, national income, the national consumption fund, industrial production of consumer goods, retail trade and the volume of population services which require payment, real incomes and wages, and the scale of housing construction will increase compared to the 11th Five-Year Plan.

Possibilities for speeding up the rate of improvement in well-being are created by accelerated growth, by an increasing dynamic of national income. During the period 1986-2000, with an almost two-fold increase in national income, it is planned to double the volume of resources earmarked specifically for satisfying the needs of the people. This means that the correlation between resources for improving well-being and for accumulations in national income will remain essentially unchanged. An exception is made by the 12th Five-Year Plan, in which the share of the accumulation fund is somewhat higher. However, the effect of increasing national income growth rates will cover the influence of the reduced share of consumption. Its absolute growth not only will not be reduced, but will grow from 55 billion rubles during the 11th Five-Year Plan to 74 billion rubles in the 12th. It is planned to stabilize and even somewhat reduce the share of accumulation in the future.

The increased social direction of the economy is also reflected in improvement in national economic proportions for the purpose of accelerating improvement

of national well-being. It is envisaged that the growth of production from industrial group "B" will outstrip group "A" production growth. During the 12th Five-Year Plan, industrial production of the means of production (group "A") will be increased by 20-23 percent, while consumer goods (group "B") production will grow by 22-25 percent. Production of cultural, everyday, and household products will grow even more -- by 1.3- to 1.5-fold.

The social orientation of the economy is also assured by a considerable increase in agricultural development rates. Within the agro-industrial complex, priority is being given to development of the processing industry and to economic units connected with the transport and storage of agricultural production. With an increase of 14-16 percent in average gross production volume, the increase in production volume in the foodstuffs, meat and milk sectors will come to 18-20 percent.

The increased orientation of scientific and technical progress toward solution of social problems, particularly in the sphere of labor, is of special importance. Modernization of the national economy, which is to have a clear-cut social orientation, is called upon to play a special role here. An increase in the scale and rates of reducing manual labor by a minimum of 2 to 3-fold will make it possible to remove more than 20 million people from the ranks of unskilled labor within 15 years.

On the basis of increased labor productivity, it will be possible to direct almost the entire increase in labor resources during 1986-1990 to education, health-protection and other social and cultural sectors (during the last five-year plan, this increase was almost equally divided between production and nonproduction spheres).

We must decisively eliminate from economic management practice the remainder of old principles, developed in the past for allocating resources for developing the social sphere. Increased attention to the social side of production, to the everyday concerns and the leisure time of the workers will help to increase their interest in the results of their labor and to strengthen discipline.

The Motivating Role of Distribution Relationships

The aim of achieving all-round activation of the human factor has foreordained new approaches to practical realization of the principle of socialism: "From each according to his ability, to each according to his work". Improvement of distribution at the present stage is directed at more complete affirmation of social justice and at intensifying its motivational influence on accelerating intensification of production. The task has been assigned to increase the effectiveness of social measures and their influence on increasing labor productivity.

Payment for labor will continue to be the main source of income for the population throughout the entire phase of socialism. One important problem is to

raise the effectiveness of wages as the main lever for motivating labor and for improving its results. This problem is being solved in several ways.

We must increase the prestige and pay for good honest, highly productive labor, for professional mastery. Steps are being taken with the aim of completely doing away with the payment of unearned money and undeserved awards and to increase control over the measure of labor and of consumption.

An integral aspect of strengthening social justice is the elimination of all types of unearned income. We must overcome hidden redistribution of incomes resulting from illegal activity, bribe-taking, speculation and embezzlement. There are still instances of state-owned machinery and equipment, vehicles and living space being used for personal gain, of extortion of extra money for performing services, of pocketing receipts, of deceiving citizens, and of favoritism. Such abnormal manifestations are inconsistent with the socialist way of life.

Elimination of unearned incomes, which are foreign to the nature of socialism, as an important political, social economic and educational problem. In the CPSU Central Committee decree "On Measures for Strengthening the Struggle Against Unearned Incomes", it is noted that this work must be carried on actively and without compromise, so that Soviet laws and the demands of socialist justice are rigorously observed in all spheres of activity and so that all channels and loop-holes for personal enrichment at the expense of the state and its citizens are shut off. It is necessary to introduce strict order in accounting for physical assets, to ensure reliable protection of socialist property, and to improve organization, norm-setting and pay for labor.

One of the pressing problems is to differentiate wages depending on real differences in labor and its results. During the 1960's and 1970's differences in wages was reduced more quickly than differences in labor. Achievement of necessary correlations in wages during the next few years demands that growth rates for the wages of skilled workers, engineering and technical personnel, and specialists outstrip others.

Improved differentiation in pay will also be helped by an increase in wage rates and salary scales for workers and employees scheduled to take place during the 12th Five-Year Plan. In production sectors, for the first time, this will be accomplished basically by using funds earned by the enterprises themselves. On the whole, the wage rates and salary scales can be increased by an average of 25-30 percent, including increases of 30-35 percent for engineering and technical workers.

As public wealth increases, it is planned to raise minimum wage amounts. However, the wages of lowly paid workers will grow mainly by reducing the amount of low skill labor, by raising qualifications, by performing more than one job, and by improving work results.

In distribution via public consumption funds, we must also discover new possibilities for consistently implementing the principles of social justice. Thanks to the development of these funds, increasingly equal conditions are being created in satisfying peoples' most important social and spiritual needs and in public financial support of those unable to work. Just distribution of public consumption funds does not, however, indicate equality. It is important to use the assets of these funds for incentives, as a motivation for skilled and honest work. The necessity has grown ripe, for example, to strengthen the connection between labor results and providing pensions, giving preferences when allotting apartments, affording travel to recreational facilities, and providing a number of free services.

One of the fundamental problems of social development is the ratio of growth of public consumption funds to wages. Further scientific investigation of problems that arise in this regard is needed, both from the point of view of substantiating principles for deriving this ratio and regarding specific ways in which it manifests itself. The proposals of economists that we read in professional literature about restraining the growth of public consumption funds and redistributing resources in favor of wages, in order to increase their motivational role, are without support and are inconsistent with the tasks of strengthening social justice.

During the 12th Five-Year Plan, per capita growth of real incomes is to come to 3-15 percent. It is planned to increase the average monthly pay of workers and employees also by 13-15 percent, or to 215-220 rubles, and the pay of kolkhoz workers by 18-20 percent. Increased incomes will affect millions of people. Distribution, however, is not being reduced to the formation of monetary incomes, but encompasses the distribution of consumer goods which reach the population in exchange for monetary incomes.

The lag in the growth of commodity turnover behind the monetary incomes of the population in the 1970s and the beginning of the 1980s led to a gap between effective demand and goods available to cover it. Planning of commodity turnover, in the best of cases, was oriented toward providing resources to meet planned growth in monetary incomes and not toward reducing accumulating unsatisfied demand. And insofar as commodity turnover plans were not fulfilled, unsatisfied demand grew. The 12th Five-Year Plan resolves the problem of ensuring that offered goods and services increase more rapidly than growth in popular income. It is planned to raise growth rates for commodity turnover to 18-22 percent, as against 16 percent in the 11th Five-Year Plan, and to increase the volume of paid services by 30-40 percent, as against 32 percent.

In its decree "On Measures for Increased Struggle Against Unearned Incomes", the Party Central Committee has demanded that intense attention be given to increasing production of goods which are in high demand and to expanding sale to the public of spare parts, construction materials, and products for rearranging apartments. The intention is, within the shortest periods of time, to create the material and organizational prerequisites for satisfying popular requirements for services, to increase the variety of types and forms of services, and to improve the work of trade and other enterprises in the services sphere.

Cost Accounting and Territorial Aspects of Distribution Relationships

Steady improvement of national well-being was and remains a paramount task for the entire country and is being accomplished on the basis of a single state policy regarding wages, social security, prices, housing construction, medical services and education. The allocation of resources to satisfy people's needs is planned on a centralized basis. Moreover, statewide economic guarantees are created for the planned improvement in the well-being of Soviet people to the extent of their contribution to social production. This line will be consistently followed in the future as well. At the same time, the role of enterprises, sectors and regions in improving the conditions of life of the population is being increased. This is being accomplished in three main directions.

In the first place, the connection of distribution and the consumption of the workers with the results of the activities of enterprises is being strengthened. In the course of restructuring the economic management mechanism, the income level of collectives, including the wage fund, must be made directly dependent upon the effectiveness of production, the sale of output and its quality. It is important to apply this principle to every working person.

In the second place, enterprises are playing a growing role in developing funds which are directly destined for improving people's lives. As noted above, the resources of enterprises will serve as the basic source of funds for increasing the wage rates and salary scales of workers and employees in the industrial sphere. This is a specific characteristic not only of the 12th Five-Year Plan, but is also is the principle underlying introduction of new conditions of pay in the future. Besides this, the volume and share of enterprise funds for housing and social and cultural construction are being considerably increased. The demands of the workers for housing and for social and cultural benefits are, in large measure, being satisfied on the basis of funds for social and cultural measures and for housing construction. And, here, distribution must be accomplished with account for the laboring contribution of the workers.

Finally, in the third place, the connection of the population's living standards in the regions with the development of their economy, with regional contribution to the common national economic complex, is being made stronger. Up until recently, this connection was insufficient, one-sided, and was realized mainly by depending upon development of the economy as a basis for determining the incomes of the population. As regards the distribution of material benefits and the provision of commodities to match the incomes of the population, these were accomplished mainly by virtue of the formation and redistribution of statewide funds.

Other measures being carried out to improve the economic management mechanism in the agroindustrial complex, light industry and other sectors are aimed at making the provision of food products and other goods to the population more closely dependent upon the contributions of the republics and oblasts in solving this problem, at raising their economic interest in fulfilling the plan for deliveries to the all-union fund and in the production of additional products in order more fully to satisfy local demand.

Improvement in people's lives must be based on their growing contribution to social production. This truth is just both for society as a whole and for each of its able-bodied members. The further development of national well-being, the increasingly full satisfaction of the material and spiritual demands of Soviet people, is directly dependent upon increasing the effectiveness of social production, upon labor productivity, and upon improving final national economic results.

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